

*Fewer auto workers—what it means*

(Page 39)



# BUSINESS WEEK

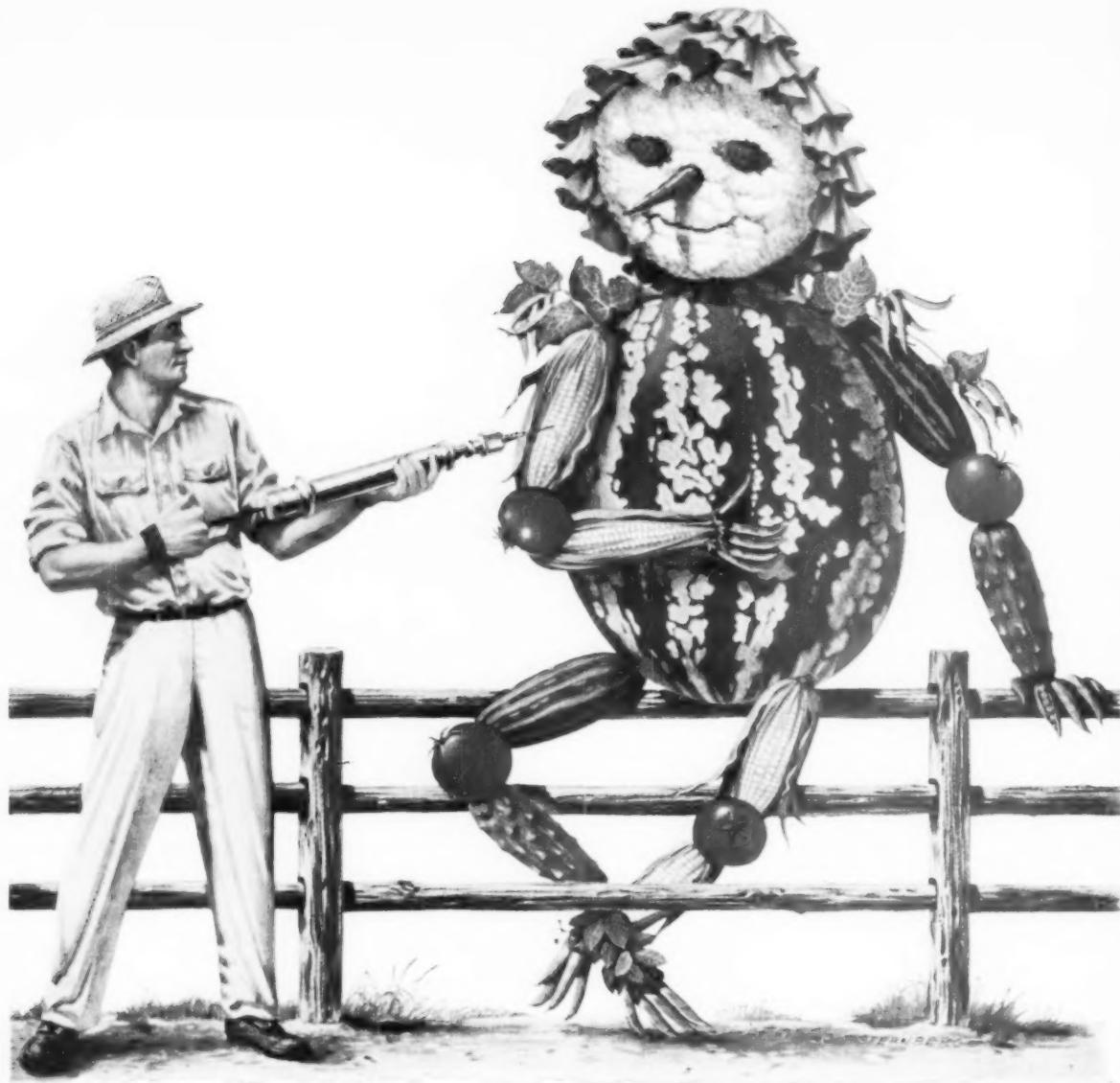
A McGRAW-HILL PUBLICATION

FIFTY CENTS

DEC. 20, 1958



W. Graeme Lines, toy marketer for Lines Bros., Ltd., thinks England's salesmanship is catching up with its production. (Marketing)



## Booster shots for bumper crops

All living things need help to grow, the fruits of the earth no less than the children of man. In the West, crop yields are kept high with nitrogen-rich ammonia fertilizer by Shell Chemical.

Nitrojection Service® is the Shell-developed method of injecting ammonia gas directly into the soil with modified cultivator shanks. Nitrogen—vital to plant growth—is placed at root

depth . . . with startling results. Fertilizer investment is usually repaid *fourfold* by increased crop yield.

Pioneering with nitrogen fertilizers and better ways to use them is an important Shell Chemical contribution to the nation's agricultural productivity.

**Shell Chemical Corporation**

*Chemical Partner of Industry and Agriculture*

SAN FRANCISCO

Anhydrous Ammonia • Ammonium Sulphate • Urea • Ammonium Phosphate Sulphate • Di-Ammonium Phosphate • Triple Superphosphate



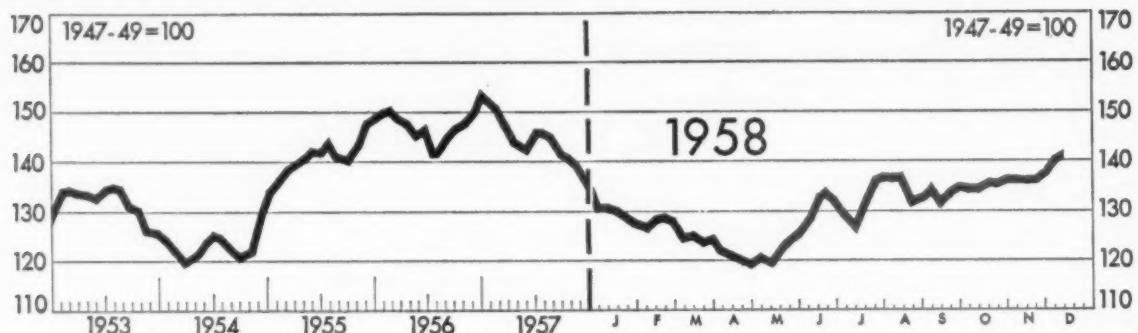
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# FIGURES OF THE WEEK



## BUSINESS WEEK INDEX (chart) . . . . .

### PRODUCTION

	1946 Average	Year Ago	Month Ago	Week Ago	§ Latest Week
Steel ingot (thous. of tons) . . . . .	1,281	1,742	2,000	†1,985	2,036
Automobiles and trucks . . . . .	62,880	175,252	149,178	†179,872	172,021
Engineering const. awards (Eng. News-Rec. 4-wk. daily av. in thous.) . . . . .	\$17,083	\$46,603	\$48,336	\$57,657	\$59,875
Electric power (millions of kilowatt-hours) . . . . .	4,238	12,570	12,378	12,017	13,450
Crude oil and condensate (daily av., thous. of bbls.) . . . . .	4,751	6,884	6,968	7,067	7,097
Bituminous coal (daily av., thous. of tons) . . . . .	1,745	1,500	1,433	1,508	1,438
Paperboard (tons) . . . . .	167,269	288,876	313,809	277,282	309,537

### TRADE

Carloadings: mfrs., miscellaneous and l.c.l. (daily av., thous. of cars) . . . . .	82	60	62	61	59
Carloadings: all others (daily av., thous. of cars) . . . . .	53	43	47	41	40
Department store sales index (1947-49 = 100, not seasonally adjusted) . . . . .	90	230	148	171	245
Business failures (Dun & Bradstreet, number) . . . . .	22	269	274	294	267

### PRICES

Spot commodities, daily index (Moody's, Dec. 31, 1931 = 100) . . . . .	311.9	393.0	396.3	391.9	390.7
Industrial raw materials, daily index (BLS, 1947-49 = 100) . . . . .	††73.2	84.6	91.0	90.0	N.A.
Foodstuffs, daily index (BLS, 1947-49 = 100) . . . . .	††75.4	85.0	83.9	82.7	N.A.
Print cloth (spot and nearby, yd.) . . . . .	17.5¢	17.8¢	17.8¢	18.2¢	N.A.
Finished steel, index (BLS, 1947-49 = 100) . . . . .	††76.4	181.7	187.4	187.4	187.4
Scrap steel composite (Iron Age, ton) . . . . .	\$20.27	\$32.00	\$41.17	\$39.83	\$39.83
Copper (electrolytic, delivered price, E & MJ, lb.) . . . . .	14.045¢	26.540¢	29.095¢	28.950¢	28.990¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.) . . . . .	\$1.97	\$2.17	\$2.01	\$2.02	\$1.98
Cotton, daily price (middling, 1 in., 14 designated markets, lb.) . . . . .	**30.56¢	34.94¢	34.75¢	34.46¢	34.37¢
Wool tops (Boston, lb.) . . . . .	\$1.51	\$1.85	\$1.66	\$1.62	\$1.62

### FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10) . . . . .	17.08	40.04	53.10	52.76	53.45
Medium grade corporate bond yield (Baa issues, Moody's) . . . . .	3.05%	5.02%	4.87%	4.84%	4.84%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate) . . . . .	¾-1% 3¾-3½%	¾%	3%	3¼ %	3¾ %

### BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks . . . . .	††45,820	56,710	56,874	57,214	58,858
Total loans and investments, reporting member banks . . . . .	††71,916	87,390	93,710	94,930	95,134
Commercial and agricultural loans, reporting member banks . . . . .	††9,299	31,819	30,592	30,675	30,804
U. S. gov't guaranteed obligations held, reporting member banks . . . . .	††49,879	25,630	31,288	32,149	31,877
Total federal reserve credit outstanding . . . . .	23,888	25,617	27,100	27,844	27,847

### MONTHLY FIGURES OF THE WEEK

	1946 Average	Year Ago	Month Ago	Latest Month
Personal income (seasonally adjusted, in billions) . . . . .	November	\$179.3	\$350.2	\$375.5
Farm income (seasonally adjusted, in billions) . . . . .	November	\$18.1	\$15.0	\$16.8
Bank debits (in millions) . . . . .	November	††\$85,577	\$189,246	\$212,894
Housing starts (in thousands) . . . . .	November	55.9	78.2	111.0
Employment (in millions) . . . . .	November	55.2	64.9	65.3
Unemployment (in millions) . . . . .	November	2.3	3.2	3.8
Imports (in millions) . . . . .	September	\$412	\$1,009	\$953

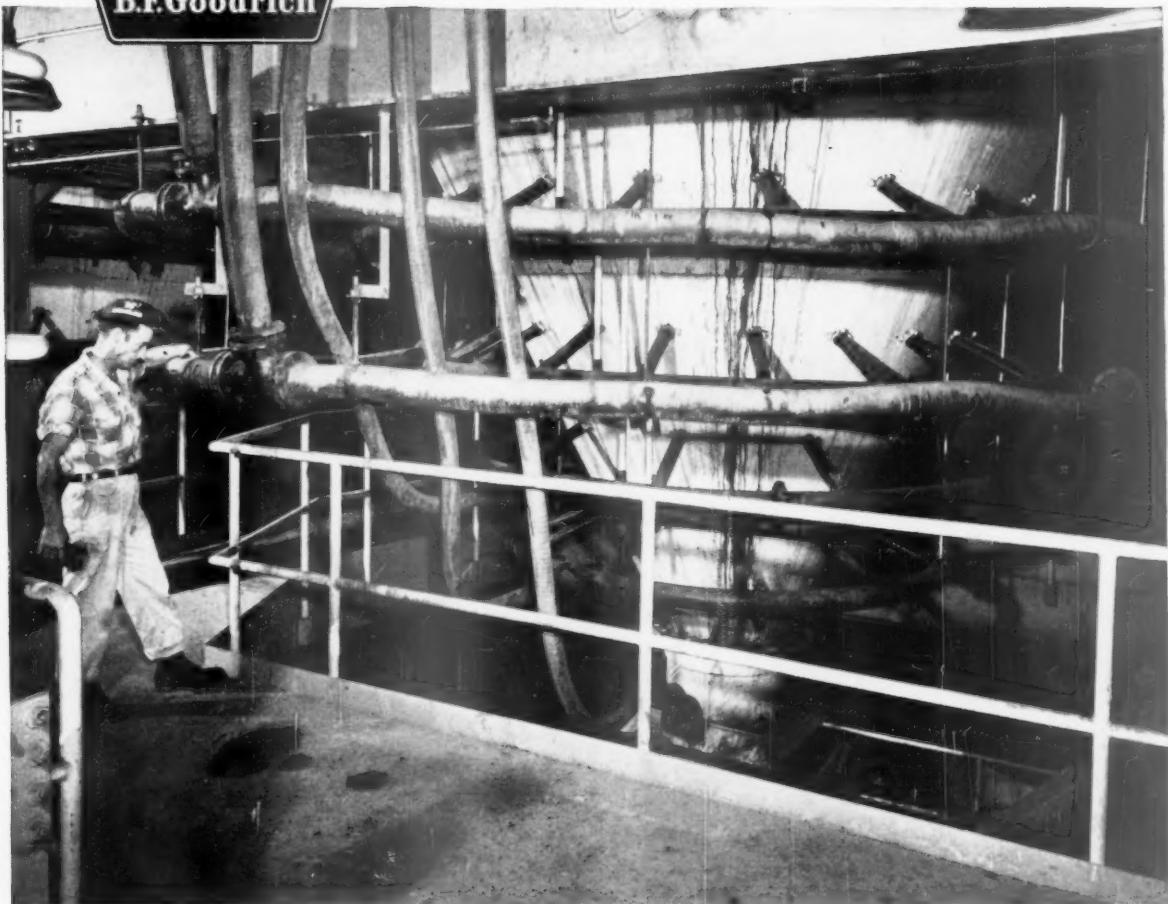
\*Preliminary, week ended December 13, 1958.  
†Revised.

††Estimate.  
\*\*Ten designated markets, middling 1½ in.

§ Date for 'Latest Week' on each series on request.  
N.A.—Not available at press time.

THE PICTURES—Cover—Ron Appelbe; 17—Joan Sydlow; 20—(top) W.W., (bot.) Joan Sydlow; 21—(lt. & top rt.) Herb Kratovil, (bot rt.) Joan Sydlow; 22—(top & cen.) W.W., (bot.) U.P.I.; 24—Grant Compton; 28—A&P; 39—UAW-CIO; 62—(top) Piper Aircraft Corp., (bot.) Union Tank Car Co.; 73, 74—Singer Mfg. Co.; 88, 89—Ron Appelbe

B.F.Goodrich



## Automatic washing machine scrubs with swirling sand

*B. F. Goodrich improvements in rubber brought extra savings*

**Problem:** That cone-shaped tank is a washing machine in a coal mine. Its job is to make sure users get all coal, no unburnable rocks in their furnaces. A torrent of sand and water—15,000 gallons a minute—circulates in and out of the tank. As coal swirls through this thick mixture, rock and shale sink to the bottom, are drained away. The coal, being lighter, is skimmed off the top.

But how to pipe the sandy mixture in at different levels was a problem. It

would wear holes through metal pipe in no time.

**What was done:** Company engineers remembered that a rubber hose developed by B. F. Goodrich had given unusually good service handling rough materials in another installation. This hose is made with a special lining of the toughest wear-resisting rubber known. The rubber is so rugged that on many jobs it outlasts the hardest steel 10 to 1.

**Savings:** Some 42 lengths of B. F.

Goodrich rubber hose were installed. You see several sizes of it in the picture, delivering sand and water to the tank. The coal company's chief engineer expects this hose to last six or seven years—many times longer than pipe.

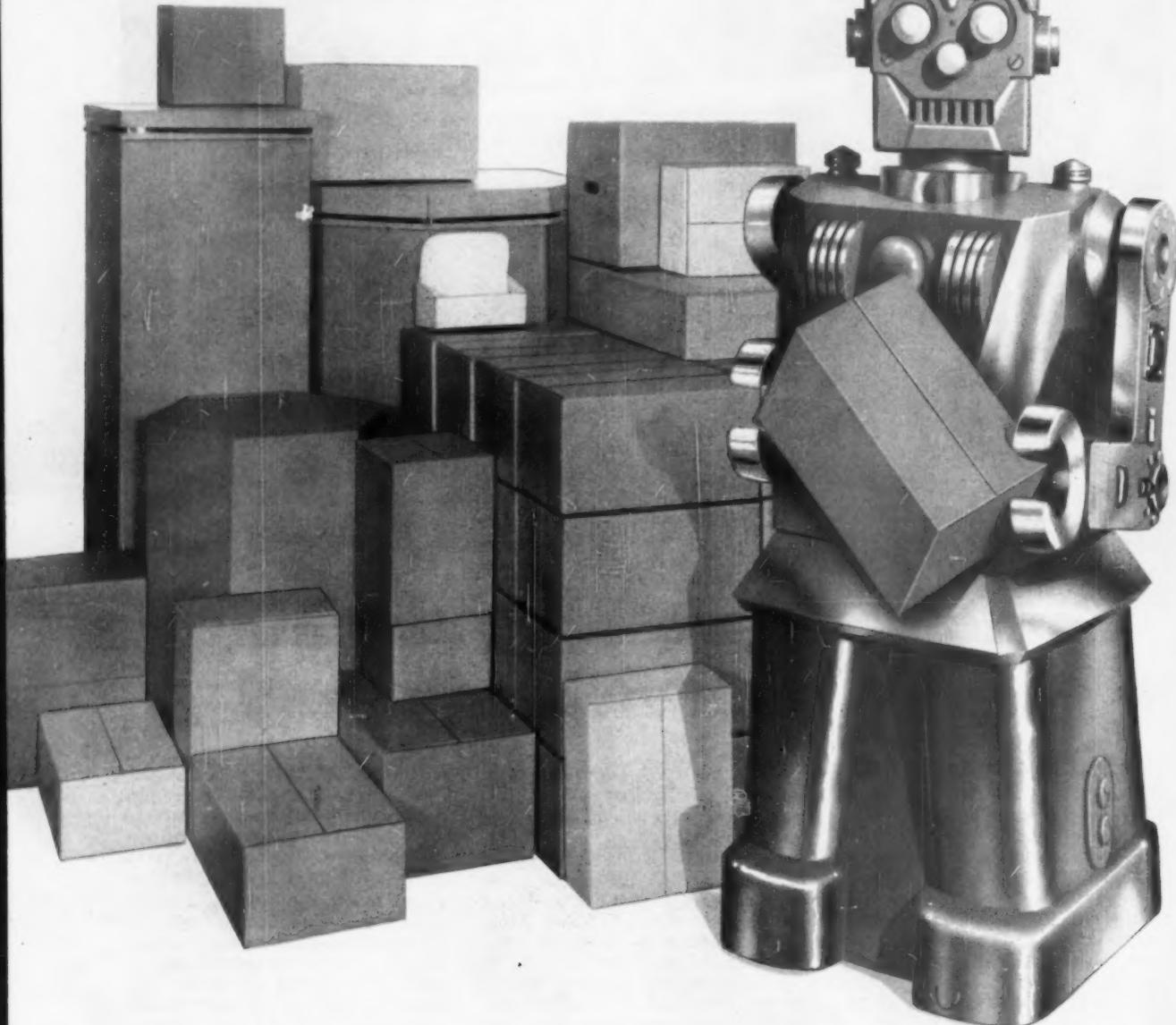
**Where to buy:** Your B. F. Goodrich distributor has the exact specifications for the B. F. Goodrich hose described here. And, as a factory-trained specialist in rubber products, he can answer your questions about *all* the rubber products B. F. Goodrich makes for industry. *B. F. Goodrich Industrial Products Company, Dept. M-487, Akron 18, Ohio.*

**B.F.Goodrich** *industrial rubber products*

# GAYLORD PUTS IMAGINATION INTO YOUR AUTOMATION

Not ready for robots? Fast-moving progress in automation can out-date your packaging operations in just a few years. That's why you'll find Gaylord in the lead with new engineering techniques for high-speed packaging and handling lines. In the lead, too, with volume production of precision-built containers that meet the requirements of today's automated lines.

Regular corrugated containers by the hundred-thousand . . . or specialized packaging . . . call your G-man. He'll help you profit by putting packaging imagination into your automation.



**GAYLORD**  
CONTAINER CORPORATION



HEADQUARTERS, ST. LOUIS  
PLANTS COAST TO COAST

DIVISION OF **Crown Zellerbach Corporation**



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BUSINESS WEEK • Dec. 20, 1958

## READERS REPORT

### Advertising Research

Dear Sir:

The article A Profit Yardstick for Advertising [BW—Nov. 22/58, p49] was of considerable interest to us because we too have been applying operations research to this problem.

Our approach uses a specific area of O. R., game theory, and considers our level of advertising as a course of strategy against all competitors (considered as a composite "player" against us) set so that our advertising level breaks even no matter what competition does against us and makes gains on the competition when competition makes poor moves.

In our calculations, we use one set of relative values when the direction of the business cycle is downward, and a different set of such values when the direction of the business cycle is upward. . . .

F. D. ROBINSON

VICE-PRES. AND TREASURER

DIEBOLD INC.

CANTON, OHIO

### New Use for Old Frames

Dear Sir:

Selling Style in Eyeglasses [BW—Nov. 8/58, p43] intrigued 80 volunteers at New Eyes for the Needy selfishly. The more glasses sold, the more (we hope) discarded ones will find their way to New Eyes. Short Hills, N. J. Re-usable plastic frames are sent to medical missions abroad. Metal frames are sent to a refinery and the redeemed cash used to buy new glasses for the medically indigent.

. . . We solicit no money.

MRS. JOHN G. McCULLOCH  
NEW EYES FOR THE NEEDY  
SHORT HILLS, N. J.

### Population Figures

Dear Sir:

I notice . . . a reference [BW—Nov. 15/58, p36] to certain population projections in a Census Bureau bulletin issued Nov. 10. Since we regard this as a very important appraisal of the prospects for population increase in this country . . . it seems . . . appropriate to correct some of the . . . descriptive phrases . . . included in your brief discussion.

If stated in a little more conservative language, it is true that the "Baby boom outruns estimates"



# WESTERN ELECTRIC AND



**BIG HELP FROM SMALL BUSINESS.** H. P. Bitzer (right), Executive Vice-President of American Coil Spring Company, Muskego, Mich., and Western Electric's Art Betz discuss Western Electric order for spring used in dial of Bell telephones we make (see inset). Over 90% of Western Electric suppliers are "small businesses" like American Coil Spring . . . having fewer than 500 employees.

# ITS 37,000 PARTNERS

Like any large business with a big job to do, Western Electric depends on the help of many other businesses—mostly small. From Maine to California thousands of companies help us provide things needed for Bell telephone service, and national defense. In return, these "partners" received well over a billion dollars last year . . . benefiting communities by supporting jobs and paying taxes.

Last year about 37,000 companies employing some five million people helped Western Electric with its job as manufacturing and supply unit of the Bell System.

This supplier "team" works in 3,165 cities and towns in every state across the nation. It includes giant, blue-chip corporations and three-man operations; but more than 90% of the companies were "small businesses" with fewer than 500 employees.

Whatever their size, Western Electric counts heavily on their specialized help. From some firms came raw materials and parts for our factories . . . from others, finished products we buy for ourselves or the Bell telephone companies. Some provided special services like transportation . . . some helped with our defense work.

Western Electric dollars paid out to these firms—\$1,224,000,000 in 1957—met payrolls and paid taxes in thousands of communities. Besides, many of our suppliers gained new know-how from expert W.E. technical advice.

One of the facts of business life here in America is the interdependence of large and small companies. It gets the big jobs done . . . and spreads prosperity the length and breadth of the nation.



**BIG HAUL.** Last year Western Electric's transportation bill totalled 65 million dollars. Among the more than 4,000 carriers which shared in this sum was Scott Bros., a trucking company operating in the Philadelphia area. Western Electric business supported jobs for many trainmen, seamen and freight-handlers—as well as truckers—during the past year.



**WIRE IN THE RAW.** Part of this mountain of copper bars is destined to be drawn into telephone wire for cable in Western Electric factories. As one of the world's largest users, Western contributes substantially to the economy of such copper mining states as Utah, Arizona, Nevada and Montana.



**BOOK-PRINTER.** William C. Clegg, head of the Clegg Company of San Antonio, Texas—is one of 67 printers who prepare some 2,600 different telephone directories for the Bell Telephone System. The telephone "book" is just one of thousands of items we purchase for the Bell telephone operating companies.



**TALKING TREES.** For over 18 years Fernwood Industries of Fernwood, Miss., has helped Western Electric supply telephone poles to the Bell telephone operating companies. Here, Fernwood's L. E. Ramsay and E. C. King complete the final inspecting and scheduling of an outgoing shipment of poles.



**NIKE BUILDER.** Ralph DiCirio works at the Whiting & Davis Co. of Plainville, Mass. He helps make important electronic components used in the NIKE guided missile system. Whiting & Davis is one of many companies which help prime contractor, Western Electric, build NIKE systems for the Army.



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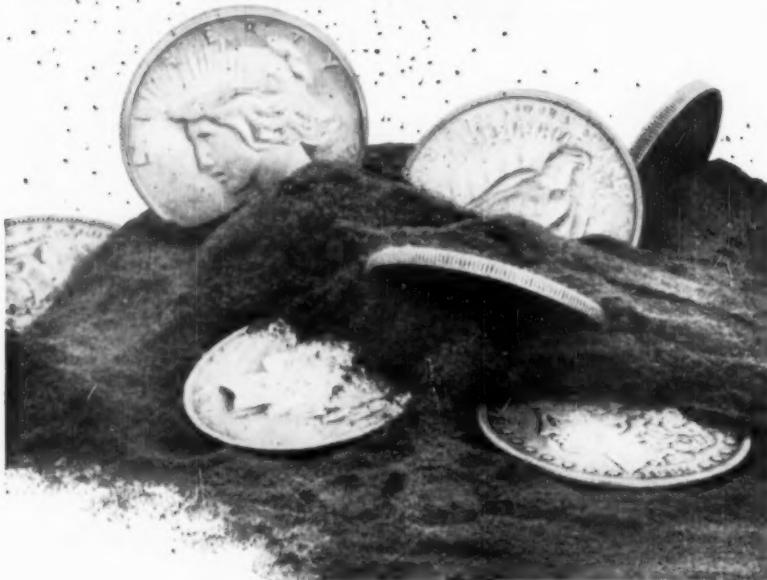


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# DOLLARS IN DUST



"Dust" is generated in many parts of industry, from foundries to pulp and paper mills, from power plants to petroleum refineries. All too often it's unnecessary economic waste: whatever its origin, recovered dust frequently is valuable. In fact, it's a matter of record that eight out of ten Buell Dust Recovery Systems pay for themselves in just a few years... and keep on earning substantial income for many years afterward.

We'll be glad to explain the features of all three Buell Systems to your engineers. For your own information, ask for a copy of the booklet "The Collection and Recovery of Industrial Dusts", which covers the industrial dust problem clearly and concisely. Just write Dept. 30-L,

Buell Engineering Company, Inc., 123 William Street, New York 38, N. Y.



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Experts at delivering Extra Efficiency in  
**DUST COLLECTION SYSTEMS**

but the gap is not as large as the wording implies. The point is that three years ago the Census Bureau prepared four projections of the population of the United States up through 1975 and that actual population determined as of July 1, 1958, turned out to be greater than the highest of these projections. The difference, however, was only 382,000. . . .

Under the circumstances, it seemed advisable to the Census Bureau to issue a new set of projections and to include a projection tuned to a higher level than the most optimistic of the previous four projections. It was stated, however, in the bulletin that the fertility assumptions underlying this new series "represent a gross reproduction rate that has not been attained since the beginning of this century. This level is not expected to be sustained over any length of time." In other words, it is almost impossible that population growth at this rate will occur.

Along with the new high level series, somewhat modified versions of the three of the 1955 projections are included in the new bulletin and the lowest of the four has been discarded. It is not correct, therefore, to say that all of the 1955 estimates have been "junked," nor to refer to the interval between the highest and lowest estimate in either set as a predicted range. It is true that the new high level projection may properly be referred to as an upper bound for the current projections, but the lowest of the four new projections is not necessarily an indicator of the lowest population that may occur. . . .

ROBERT W. BURGESS  
DIRECTOR, BUREAU OF THE CENSUS  
DEPARTMENT OF COMMERCE  
WASHINGTON, D. C.

## Co-Author Speaks Up

Dear Sir:

After reading your excellent article on leasing, Lease Deals Move Into Big Times [BW—Nov. 22 '58, p92], and noting that my recently published McGraw-Hill book "Sale-Leasebacks and Leasing in Real Estate and Equipment Transactions," is quoted at length, the long hours of toil at night and on weekends last year came to mind, particularly, since my name as co-author was omitted from the story.

HARVEY GREENFIELD  
ATTORNEY AT LAW  
NEW YORK, N.Y.

• Our apologies to Author Greenfield.



Drill barge *Wasp*, with three Gardner-Denver rock drills on 26-foot towers, at work on Cal-Sag Canal.

## Booming Days on the Cal-Sag Bottleneck

Vital link in connecting the Great Lakes-St. Lawrence System with the Illinois-Mississippi Waterway, the old Cal-Sag Canal, just south of Chicago, has been echoing to the boom of big-time blasting.

The canal, which might have been a bottleneck, is being widened from 60 to 225 feet. The widening will extend

16 miles. It will cost about \$30 million.

More than two million yards of overburden and more than a million cubic yards of ledge rock are being removed in the first three-mile section of the widening project. These huge quantities alone would make a difficult job. For the contractor, Maryland Construction Co., there's an additional

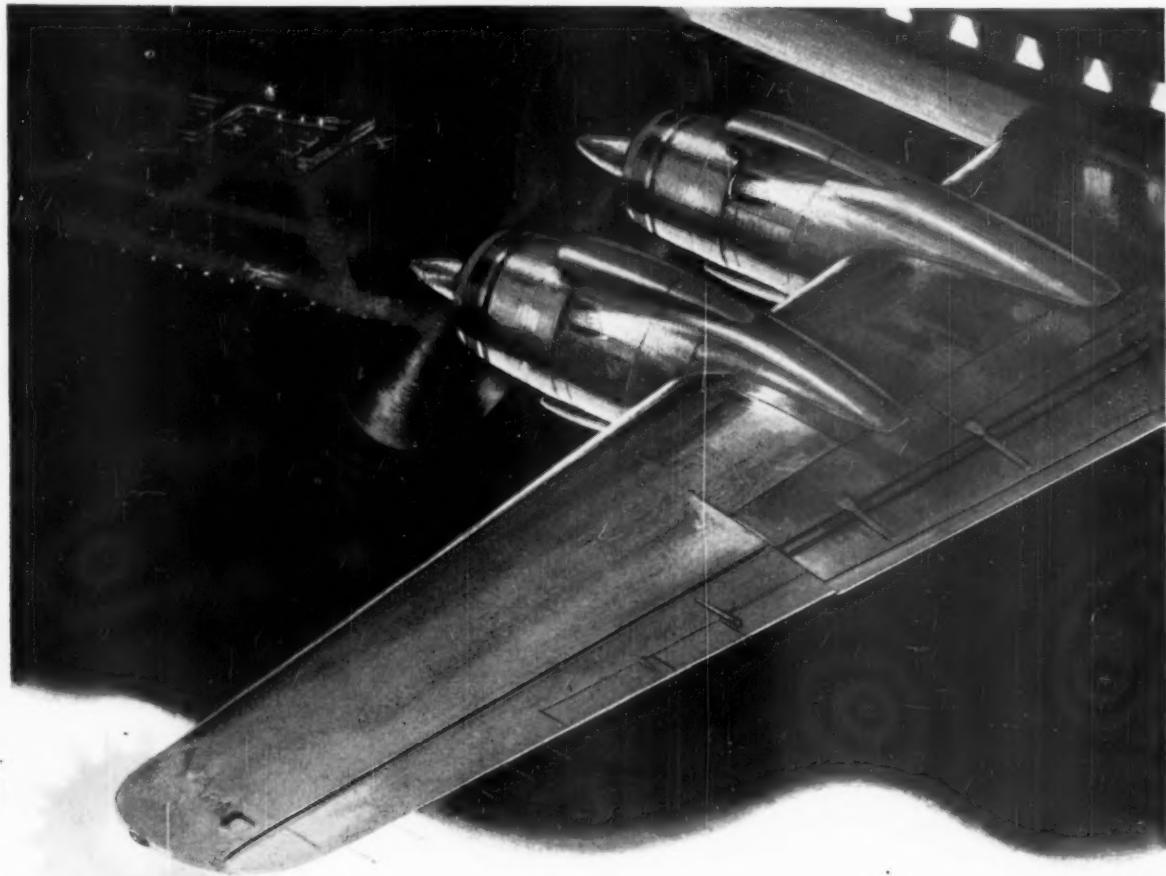
difficulty—making a profit on the job that was bid 46% below estimate.

In such "beat-the-clock" circumstances, only the most efficient, most dependable equipment will do. This explains the wise choice of Gardner-Denver Model 123 rock drills to speed rock removal. Gardner-Denver Company, Quincy, Illinois.

ENGINEERING FORESIGHT—PROVED ON THE JOB  
IN GENERAL INDUSTRY, CONSTRUCTION, PETROLEUM AND MINING

**GARDNER - DENVER**





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Smaller, lighter, more dependable by far than conventional mechanical units, the Mallory transistorized flasher has already been approved by the Air Force.

To all airplanes—private or commercial, passenger or cargo, it offers safer passage on today's busy air-

ways where blinker failure or radio interference could invite disaster.

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P. R. MALLORY & CO. INC., INDIANAPOLIS 6, INDIANA

# BUSINESS OUTLOOK

BUSINESS WEEK

DEC. 20, 1958



That "slowdown" in the recovery didn't last long or amount to much.

- Gross national product (the value of all goods produced and services rendered) is setting a new high in the current quarter. The figure promises to be comfortably above a \$450-billion annual rate.
- Physical volume of production this month seems unlikely to reach a new record but will fall only a very little short.

Strikes were the temporary stumbling block (BW—Nov. 22'58, p19).

You can't really count labor trouble as a slowdown, but rather as an interruption of the recovery. Strikes, in the last dozen years, almost without exception have been inflationary; their losses have had to be made up in a post-strike wave of activity.

Thus October losses become a part of November-December gains.

—•—

Production, measured for physical volume by the Federal Reserve Board's index, has gained 15 points in seven months. September (auto change-over) and October (strikes) accounted for only 1 point each. But November added 3 points—bringing the three months nearly up to average.

Over-all production levels, for the recovery to date, have been dominated by the rate of activity in consumers' durable goods.

September and October were the slow months, as in output generally.

The Federal Reserve's index for this type of goods gained 18 points from April to August, then fell back 11. It improved little in October, then shot up 24 points to 131 in November.

December will show another good gain for consumers' durable goods output (though not so big as November's). The effort of auto producers to make up for lost time is turning the trick (despite Chrysler's strike).

It still looks as though the production lines will roll out 600,000 cars this month; they'll be close to 430,000 by this weekend.

—•—

Increasing production is solidly based on consumption—and will be for a good while to come.

This wasn't simply a matter of the consumer relaxing his spending attitudes when he saw the recession passing—although that was a big factor. It also involved industry—as a consumer of raw materials.

Both these types of consumption had a major hand in gross national product's current rise to annual rate more than \$5-billion above the old peak of \$445.6-billion (set in the third quarter of 1957).

—•—

Rapid liquidation of inventory by manufacturers ended as far back as August. Buying was hand-to-mouth through September and October.

Since then, all indications have been that industry is trying to add to inventories (at least to whatever extent that has been possible with output on the rise).

# BUSINESS OUTLOOK (Continued)

BUSINESS WEEK  
DEC. 20, 1958

Consumer buying, as reflected in the sales of all types of retail establishments, took a real turn for the better in November (page 17).

The story is not alone that volume jumped to a new record of \$17.2-billion for the month (on a seasonally adjusted basis). It also topped the year-earlier figure by better than \$600-million.

And perhaps the most significant thing of all: The last two months have shown significant improvement in buying of durable goods.

Even in November, when consumers are estimated to have spent nearly \$5.6-billion on hardgoods, the revival was something less than boom-like. But it was up half a billion from the year's low, and it fortified hopes for a real revival in 1959 and 1960 (BW—Nov. 29'58, pp30-31).

Gains in retail sales last month doubtless owe a good deal to the substantial rise in personal income since its low last February.

Last month, people were taking in \$360-billion at a seasonally adjusted annual rate. This was \$2½-billion better than the month before, while the gain from the low now amounts to nearly \$14-billion.

More people working at nonfarm jobs and particularly in manufacturing (along with a lengthening in the factory work week) was the principal factor in November's upturn in personal income.

Housing's performance in the last half of 1958 has been remarkably vigorous—and the rising tempo carries promise for early 1959.

Quite clearly the fact seems to be that mortgage money has continued ample, that interest rates so far have not proved an impediment. This has been made possible, it now seems, by exceptional savings (page 19).

Improvement in housing starts became noticeable in April. Since then, each month has shown a gain (on a seasonally adjusted annual basis), with November's estimate of 1,330,000 the highest for any month in three years.

Moreover, it was the highest for any November in four years.

Add up the recent gains in housing, compare them with the last halves of other years, and the results will probably surprise you:

Starts in this year's second half should hit 650,000, almost exactly the same as in 1954; this would better 1955's last half and would be exceeded substantially only by 1950 with its 690,000 for the period.

Don't look now, but there even are signs of improvement in freight car buying by the hard-pressed railroads.

Last month's orders were for 6,295 cars—the first respectable total since early in 1957. With output at very low levels, this added more than 4,000 cars to the backlog which now stands at 28,000.

This backlog, however, is less than half its year-ago size, and would provide only three-months' capacity operation for car shops.



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Day and night, signs made of PLEXIGLAS build more sales for big and small companies. Complete luminosity from internal lighting takes over at dusk,

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Sales go up when a PLEXIGLAS sign goes up. Write for literature, color samples and the names of sign companies who can work with you to develop a PLEXIGLAS sign program.

Send for this new full color brochure, "PLEXIGLAS for SIGNS". It tells how PLEXIGLAS has brought about new concepts of sign appearance and performance.



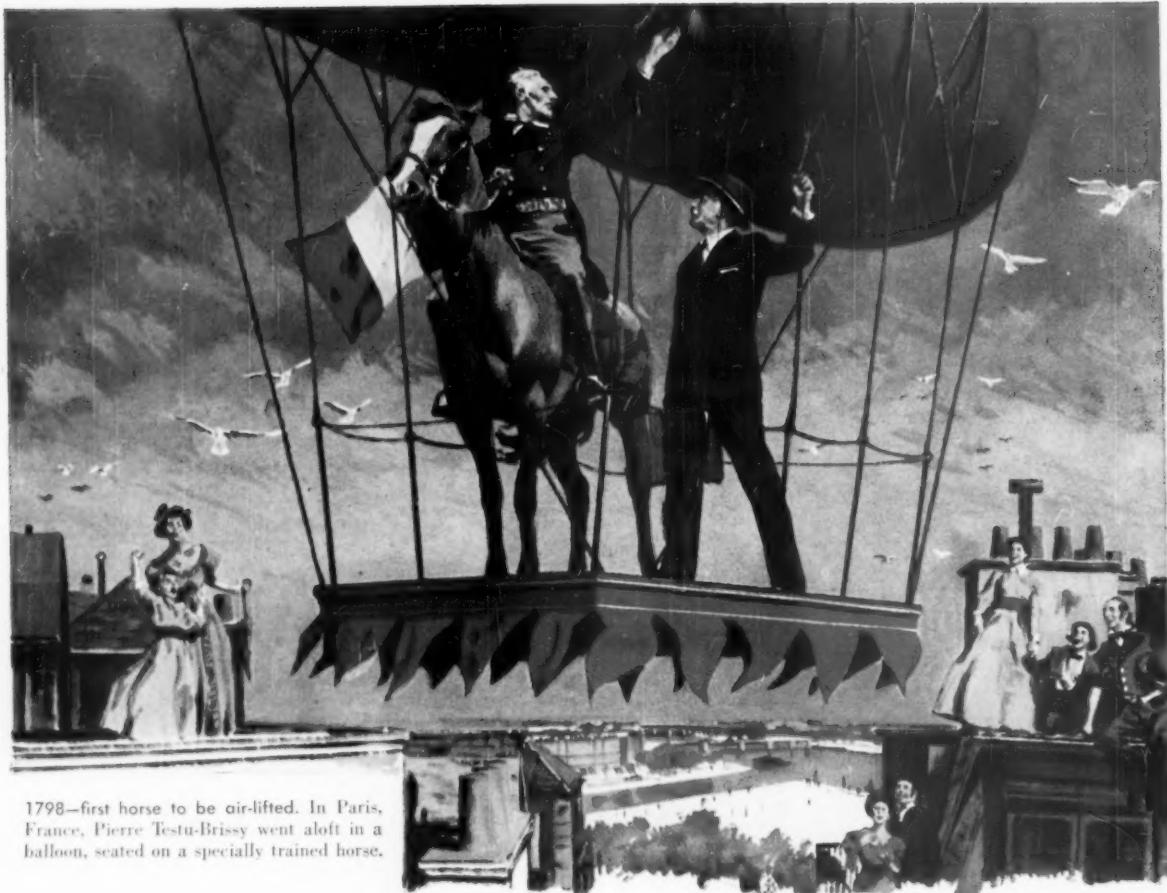
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CLIPPER CARGO**

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## Sales Get Into the Xmas Spirit

**Retailers are jubilant—and they expect a spectacular last-minute rush that will more than offset a gloomy year.**

This will be a record Christmas—unless the whole country gets buried under 6½ ft. of snow—like Oswego, N. Y.

There are soft spots. There are crossed fingers. There are merchants anxiously circling the one extra 1958 day in the final Christmas week.

But, totting up what **BUSINESS WEEK** reporters this week found in talking to storemen coast-to-coast, it appears certain that the final 10 days of the shopping season will push sales over the top.

A Houston merchant puts it strongly: "If those last days turn out the way we hope, this could be a whopper."

• **Gloom—and High Hopes**—Not every merchant, even in Houston, goes along with that. Some cities report that it's almost dead sure now that neither Christmas shopping nor sales for the year will match record-breaker 1957. In Boston, for instance, a merchant cautions: "We're all banking on the fact there's one more day than last year between Thanksgiving and Christmas, but it's doubtful that we'll equal last year's sales."

But for the country as a whole, retail business looks like a shoo-in to topple last year's \$200-billion mark. Commerce Dept. figures for total November retail sales reached an all-time high of \$17.18-billion. Of course, that includes such things as autos, food, service stations, drugstores, lumber, hardware.

For department stores and specialty shops, the picture isn't quite so rosy. Almost everybody reports a rather disappointing November. Now, however, most places are saying that year-ago sales records are tumbling, and Federal Reserve Board sales indexes report gains in the range of 6%. And this comparison is against the period in 1957 when the great December buying rush took everybody by surprise.

Around the country, there are three kinds of areas: (1) those that see a boom developing; (2) those that think they'll be able to beat 1957 by a slight margin; and (3) those that are trying to cut losses.

• **Repeat Performance**—The enthusiasts



think they see a repeat performance of last year.

Despite the untimely newspaper strike, New York stores report sales topping year-ago figures handsomely. One store, a big discount clothing chain, admits that the lack of advertising has cost it sales, but even it says that sales are ahead of last year.

Philadelphia merchants are going to do it again this year. Estimated gains run from 8% to something over 10% more than making up for the early 1958 slump.

Los Angeles stores are filled with eager shoppers—and smiling executives. A luxury department store manager says: "It's going like crazy and I haven't any idea why. Every department in the store is doing well." Adds another: "We are running 5%-6% ahead of a year ago, and with that extra day it's going to be the biggest Christmas ever."

Atlanta merchants expect booming sales to outdo last year by anywhere from 2% to 10%. Denver sales, which this year held up better than other places, keep going up, and retailers aren't even surprised. They expected it. Portland merchants already say that year-to-date sales are topping 1957 figures, and Christmas is certain to be a record. Even after a spiritless November, Pittsburgh merchants are now talking about a gain for the year of 3%-4%.

• **Divided**—Merchants in San Francisco and St. Louis are divided in their reports. Golden Gate department stores generally are disappointed, while specialty shops, including men's stores, say business is booming with sales "up slightly" to "ahead 16%." St. Louis merchants, after a slow start, think December business may help them recover from early 1958 setbacks.

Shopping is disappointing to Chicago merchants, too, but they are banking on this weekend to pull them up to at least 1957 levels.

• **Woe**—You can't find even this much optimism from Milwaukee, Boston, or Detroit. Only one department store in the home of the Braves reports better sales—"about 2%." The rest are bemoaning laggard shoppers, with volume down as much as 5%. In Detroit, retailers' hopes for a much bigger Christmas than 1957 are being dashed. There is still some hope that the season will top a year ago, but for the yearly total, retailers are hoping only for a decline of not more than 6%.

## I. It's the Weather

Warm or cold, the weather is getting much of the blame in regions where sales are lagging. In Boston, where first it was too mild, then too cold, a merchant gripes: "Even one or two inches of snow can do terrible things to you now that all these TV weather fore-

casters warn everybody how dangerous a little snow can be."

In Chicago, where many stores are disappointed, zero cold and heavy snows have kept people near home. Downtown stores thus have suffered, to the advantage of community department stores, one chain reporting a 20% increase for the year. The same story holds in Milwaukee and Detroit. "We're trying to figure out if it is the weather or something else keeping sales on the light side," says a Detroiter.

Yet all the talk about the weather has its bright spots. It may mean that the annual crush, what with the extra day of shopping, will be bigger than ever as shoppers hold out to the last minute.

## II. Luxury Sells

One indication that people are again getting into the buying mood is the almost universal tendency toward luxury or higher-priced goods. Furs in particular show surprising strength whether or not sales of other goods are booming or lagging. In Houston, a swanky store says: "The use of color is spurring sales and men are buying again." The owner of another store located in the heart of a \$7,000-to-\$20,000 income market, adds: "I'll bet I've sold \$50,000 worth of furs myself since Thanksgiving."

Even in Detroit, quite a number of women are going to be pleasantly surprised by fur gifts. One specialty shop is selling an unusual number of \$199 to \$399 scarves and stoles—and the middle-income group is doing the buying.

A Portland jewelry store president says: "Business is remarkable. It will neutralize the year's business." In the same city, a store reports a strange pattern: "Better things and low-end things seem to be selling best. It's the middle that is lagging."

That the rich are spending is confirmed by a top-grade Philadelphia store which reports a "strong November, followed by a December that has been three times better so far."

• **Weak Spot**—Merchants are screaming about toys, the one big item they usually can sell hard at Christmas with some assurance of adequate margins. But in city after city they say toys are beset by price cutting: "Now we are practically giving them away."

What's selling, naturally enough, are space age and missile-type gadgets. They'll be shortages here before the season's over.

Inventory generally has been no problem this year, say merchants. They all bought close to the chest. Some admit they'll run out of goods.

One thing is certain. There are no cries of panic, so it is safe to say store shelves will be clean when they go into the new year.

# Consumers

The year 1958 is drawing to a close with a paradox:

- On the one hand, consumers seem to be spending record-breaking chunks of cash on Christmas shopping (page 17). And there's fear of a coming flight from the dollar—fear that because of the threat of inflation weakening the dollar, more and more people will be converting assets from cash into goods, common stocks, real estate, and such.

- On the other hand, savings institutions across the country are preparing to close their books on the biggest year for individual savings since World War II (chart). So far at least, there is apparently no discernible rush from the dollar despite inflation fears.

Totting up all the money stashed away in the nation's major savings media—commercial banks, savings and loan associations, mutual savings banks, life insurance, U.S. savings bonds, and credit unions—you find that total new individual savings for 1958 will top \$19-billion. That will be a 50% jump from the \$12.7-billion people tucked aside last year. And it will easily surpass the previous postwar record—the \$15-billion squirreled away in 1956.

- **More for Investment**—Not since the goods-starved World War II years of 1944 and 1945 have individual savings approached this year's massive inflow of cash. Washington officials, noting the big rush, are already revising some of their forecasts for next year. All agree that it means more money will be available for investment.

- The Federal Home Loan Board, most optimistic of all the government agencies, says the 30% jump in S&L accounts will mean ample mortgage funds will be on tap almost everywhere in the country.

- The Securities & Exchange Commission says the savings rise will provide more money for capital spending as well as housing.

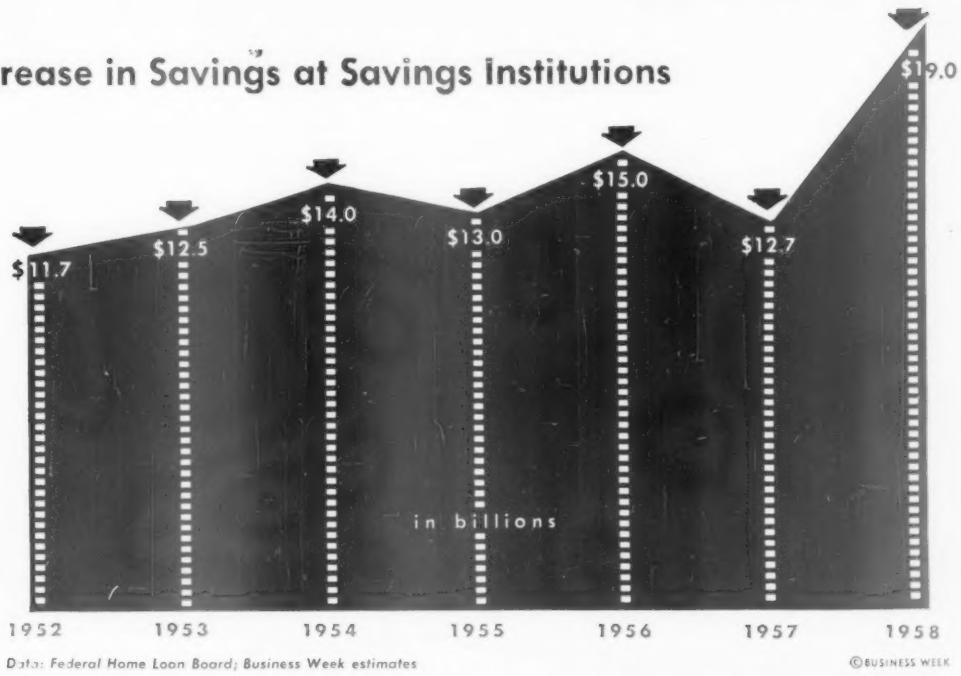
- The Federal Reserve Board is heartened by the prospect that more savings will permit less inflationary financing of new plant and equipment—and will also tend to curb the rise in interest rates.

- **Why So Thrifty?**—The public's passion for savings puzzles bankers, savings officials, and government economists. They can readily explain the big jump in savings, especially at the commercial banks, during the first half of 1958:

The recession led anxious consumers to put money aside until the economic weather cleared. In addition, the fall in yields of government securities caused many big investors to shift toward the higher rates offered by bank time deposits.

# Spend-But Still Stash It Away

## Annual Increase in Savings at Savings Institutions



Data: Federal Home Loan Board; *Business Week* estimates

©BUSINESS WEEK

But now that the economy is clearly headed toward new highs and consumer spending is beginning to mount, that explanation loses force. Still, customers loaded with new savings continue to crowd the deposit windows of most savings institutions, though the inflow has slackened in some cities since October. And *BUSINESS WEEK* reporters talking to bank executives, S&L officers, and economists throughout the country this week found widespread confidence that the high rate of savings will continue during most of 1959. They expect rising personal incomes generated by recovery to offset a considerable increase in consumer spending, especially for autos and home appliances.

• **Out of the Mattress**—Whatever the explanation, most agree that the new nationwide trend is healthy.

R. Stewart Rauch, Jr., president of the Philadelphia Savings Fund Society, that city's biggest savings bank, at first assumed that the surge stemmed from the recession. But he expresses the general bewilderment. "Certainly," he says, "they should no longer have such a motive. Frankly, we don't know why they continue to increase their savings." At his bank, this year's new savings are up more than 50% from last year's \$30.6-million gain.

In Boston, an S&L vice-president attributes his institution's increase both to a flight from the financial markets earlier this year and a quest for refuge from the recession. "It's true we got a

lot of checks from brokerage offices this year," he says. "But it didn't all come from the market . . . some of it came from the mattress. We ran a promotion this year in which we gave away more than 3,000 Scotch coolers for new accounts. You wouldn't believe it, but we had people come in here with thousands of dollars in small bills, and some of that money literally smelled of mothballs." Boston banks, however, have recorded some recent slowing in the rate of incoming deposits, and the officer of another S&L in the same city notes more borrowing on pass books this month for the purchase of new cars and appliances.

• **Pooh to Inflation**—A vice-president of Milwaukee's First Wisconsin National Bank credits higher interest rates as the biggest factor behind his bank's 18% climb in savings. He pooh-poohs fears of inflation. First Wisconsin expects to plow much of its new hoard into municipal bonds with somewhat longer maturities and in larger amounts.

In Los Angeles, the flow of money into S&Ls is outrunning the demand for mortgage money. But the tide has slackened slightly since early fall. The Los Angeles Federal Savings & Loan Assn. says the inflow is now only double last year's rate—instead of triple, as it was two months earlier.

Both bankers and S&L officials foresee tougher competition for mortgages in Southern California. One S&L president thinks he will be granting bigger

loans on each property and discontinuing fees, but he expects the going rate of 6% on home mortgages to remain firm.

• **Slowdown in Farm Belt**—The most noticeable slackening in the rate of saving has occurred in the Midwest farm areas. There, bumper crops and high livestock prices early in the year brought an upsurge in savings sooner than the rest of the country. Now the tapering off is earlier, too.

In the Kansas City Federal Reserve District, city banks saw savings arrive at record rates during the first half, but the growth is now only one-third as fast. At country banks, deposits jumped even more than in the cities early this year, but the rate has slowed perceptibly since August.

Banks in the Minneapolis and St. Louis areas also report some letup in saving since October. In St. Louis, however, S&Ls are still attracting a high volume of deposits by offering 3 1/2% to 4% to shareholders. One suburban S&L association, which solicits business around the world by mail, has boosted share accounts by \$30-million from last year's total of \$3-million.

• **Recovering Regions**—In Pittsburgh, Chicago, Seattle, and Detroit—hit long and hard by the recession—savings continue to mount. Pittsburgh's upturn began last August as the steel industry started to recover. Detroit's savings are up substantially despite disasters in auto employment (page 39).



**PICKETS**, members of Newspapers & Mail Deliverers Union, caused shutdown of New York's regular dailies.

## Strike Hits

New York's millions dusted off little used radios, also turned to their television sets last week for the news as the city's major newspapers shut down over a labor dispute. In all, nine papers with circulations totaling 5½-million daily, 8-million Sunday, had disappeared off newsstands and subscription routes.

- **Surprise Action**—The blackout came suddenly. For days, optimistic reports had been coming out of labor talks between the Publishers Assn. of New York City, which directs negotiations for all nine papers, and the Newspapers & Mail Deliverers Union. When the shutdown did come, it came as a surprise. Shunning acceptance by their own negotiating committee of a 57¢ wage package, the Deliverers' membership



**N. Y. TIMES** sold newspapers from its plant during first few days of Deliverers' strike. When printers balked at crossing picket line at Daily News, it stopped publishing along with the city's eight other major newspapers.

**SOME RELIEF** to news-hungry New Yorkers came from other media. NBC television and radio station published a single page containing program listings and general news items prepared by its news staff. →

# N.Y. Papers When It Hurts Most

vetoed the package in a close vote. After two days of selling papers at their plants, most of New York's major newspapers stopped publishing when printers employed by New York's Daily News refused to cross the Deliverers picket line. With only special interest and foreign language papers being printed, the "Big Town" became a no-news town.

By any measure—revenues, timing, employment, advertising—the hardest hit by the shutdown were the newspapers, themselves. Cut off from their lucrative Christmas advertising season, lost revenue was estimated to be \$5-million daily. The New York Times, for example, reported that its Sunday edition alone would have produced a gross advertising revenue of \$1.1-million.

lion, a circulation revenue of \$250,000. Reluctant to furlough its employees, the Times was "keeping them on, but they're only going through the motions."

Most of the paper's news coverage was being funneled to its radio station, WQXR, which had expanded its news schedule. Some of the remaining papers—staggered, too, with revenue losses comparable in effect to the Times'—furloughed most of their employees or otherwise cut back expenses.

• **Precarious Position**—As the shutdown lengthened, added threats to income mounted. Most New York papers, despite their high ad volume and high circulation, are notoriously poor profit makers. Since most are privately owned and rarely publish financial statements,

facts are hard to find. But a look at the New York Times financial report released last spring (BW—May 3 '58, p92) shows a precarious line of march toward profit—even for the well-off Times: (1) A 10-day strike in December, 1953, for instance, wiped out profits earned in the previous 11 months; (2) despite a jump of 2-million advertising lines in 1954, revenues trailed increasing costs; (3) it took a jump of 5-million lines in 1955, plus ad rate increases and a boost in Sunday newsstand prices to bring revenues and costs into line; (4) profits moved up in 1956 only after another boost in ad rates and a 4.5-million rise in lineage. The Times has operated profitably for 60 years—some of them lean, some lush. But in 1957, its net income was only \$3.6-million on gross



**N.Y. CENTRAL** put out one-page mimeographed news sheet for convenience of its commuters . . .



TV coverage by CBS and NBC included a look at the Sunday comics as commentators read the blurbs.

sales close to \$85-million, or little more than 3.5%. Most New York papers don't do that well.

The threat of publishing instability could tempt advertisers to try to make tougher deals on rates.

• **Calm Retailers**—The newspapers' biggest advertisers—the retail merchants—were calm during the first half dozen days of the shutdown. Most said sales were being carried by the momentum of Christmas gift buying. Some department stores said volume was ahead of last year, but this was no great trick: New York's retail merchants were the hardest hit of all during a Christmas season subway strike last year. One New York department store guessed that its inability to place ads that require telephone and mail response had probably cut into sales, but added "we're busy all the time." New York's Macy's said "volume was up to expectations—and maybe more."

The shutdown had its greatest effect on advertisers in specialty businesses, which often rely on big display and price ads. S. Klein's, a softgoods and apparel store, resorted to ads taped to subway train windows. Movie houses stepped up radio ads. Broadway plays, caught in the midst of a busy opening week, lost the giant portions of publicity they receive from critics' reviews. Frustratingly, for press agents, a number of new shows received raves. The critics, for example, gave enthusiastic approval to Archibald MacLeish's *J.B.*

• **Substitute Grape Vines**—As the newspaper blackout continued, the scurry for news became a chore for a city used to finding news wherever it turns. In attempts to fill the gap, an array of "news" sources appeared:

• The New York Central RR began publishing the "oldest daily commuter paper in New York" for its passengers.

• New York's radio station and television stations boosted their news coverage, read stock market closings, tossed in news analyses, sports details.

• Limited circulation papers beefed up news coverage, sent more copies to newsstands. One foreign language daily printed a section in English.

• **Firm Stand**—At midweek the Publishers Assn. had taken a hard stand, offering the Deliverers the same package they had rejected. The publishers are negotiating with seven other craft unions and reportedly have a verbal agreement with all but the Printing Pressmen to accept the \$7 package. The offer is based on an earlier agreement with the Newspaper Guild. If the publishers grant additional gains to the Deliverers, they court new troubles from the other crafts. The Deliverers, meanwhile, are said to be fishing for a face-saving formula based on fringe benefit improvements.

# The Broadest Economic



LYNDON JOHNSON, Senate majority leader, proposes a thorough look at inflation.



JOHN SPARKMAN has inside track to head a Senate study, but post may go to ...



PAUL DOUGLAS, a professional economist and next in line among Democratic senators.

For two years, in three much-publicized investigations, Democrats in charge of Congress have made efforts to solve the political and economic mysteries of present-day inflation.

Now they are ready to concede failure and make a fresh start by ordering the broadest and most exhaustive inquiry on the subject ever held.

What they want to know is: How can inflation persist in times of plentiful production, excess industrial capacity, even unemployment—and what can government do to check it?

• **Baffled**—The Democrats are dissatisfied with orthodox monetary policy and tight money as a check on rising prices, particularly with the record of the Federal Reserve the past two years. But they are puzzled and worried by their failure to produce any alternative.

The fresh start, announced last week by Senate Majority Leader Lyndon B. Johnson in a Texas speech, will seek an explanation that is acceptable to economists and a cure that is acceptable to politicians.

• **Risky Politics**—This is a large order, and it contains some risks. But Democrats are determined to make the effort for a number of reasons:

- They know that inflation has been a potent political issue in the past and can be one again. In particular, they recall how Pres. Truman in 1948 pinned a "do-nothing" label on the Republican 80th Congress, largely on the issue of the rise in living costs. They don't want to be caught in a similar position in 1960.

- They realize their party will be particularly vulnerable because of the spending programs they intend to sponsor in the next two years.

- Like Republicans in the Administration and responsible officials in every industrial country of the free world, they are honestly puzzled by many aspects of the new inflation and what it might call for in the way of new legislation.

- **Echo of TNEC**—The scope and possible significance of what Johnson has in mind is revealed by his analogy with a study conducted in the late 1930s by the Temporary National Economic Committee, a landmark in political economics.

TNEC's chief impact was indirect. The cumulative effect of its monographs was to introduce the ideas of the late Lord Keynes into governmental thinking, particularly the idea of using budget deficits as a major means of combatting recessions.

"It seems to me we need to take the same kind of searching look once again," Johnson says.

# Study Yet?

• **Who'll Do It?**—Johnson wants the Joint Economic Committee to conduct the study. His announcement caught by surprise the two men most immediately involved—Sen. Paul Douglas (D-Ill.) and Sen. John Sparkman (D-Ala.).

One or the other will have the chairmanship—Sparkman if he wants it, Douglas if Sparkman doesn't. Under committee rules, the chairmanship is to pass next year to a senator, and Sparkman is the senior Democrat. But four years ago, in the same circumstances, he kept the chairmanship of the Senate Small Business Committee and the Housing Subcommittee of the Banking & Currency Committee, while Douglas took the economic assignment.

Sparkman isn't saying what he will do this time. Aides say he is withholding a decision until he confers with Johnson in Washington. But he already has one major economic study on his schedule—a look at all the federal housing laws. And the Small Business Committee is an excellent political forum for any senator running for reelection, as Sparkman will be in 1960. Rather than spread himself too thin, or buck the Democratic policy of limiting a senator to one major committee chair, Sparkman is likely to clear the way for Douglas.

• **Douglas' Views**—Douglas has already reacted favorably to the idea of an inflation study, suggesting that it be widened to include unemployment. By professional training and experience in the Senate, he seems to be a natural for what Johnson has in mind. Before being elected to the Senate, he was a professional economist of considerable stature. In 1950, he led an investigation of monetary and credit policy that paved the way for the Treasury-Federal Reserve accord of 1951.

Douglas argued strongly then for orthodox monetary policy as a means of checking inflation, particularly opposing the policy of having the Fed support government bonds at fixed interest rates. In recent years, however, he has been a consistent critic of William McC. Martin, chairman of the Federal Reserve Board.

• **Limelight or Sidetrack?**—Douglas is likely to welcome the chance to head another major study. Like Sparkman, he must run for reelection in 1960, and the Economic Committee is his only chance for a chairmanship that will create favorable publicity.

There is also a possibility that Johnson has a strategic reason for placing the study in a committee that could fall to Douglas. The Illinoisan is one

of the most ardent civil rights advocates in the Senate, and, if some of his energy is drained into a major economic study, Johnson might find his own task of compromising North-South differences a bit easier.

• **In Progress**—No matter who gets the chairmanship, it's clear that the fundamental political purpose of the Democratic leadership is to start building an anti-inflation background for the party. Three inquiries wrestled vainly with this problem through most of the 85th Congress:

**The Joint Economic Committee** under the present chairman, Rep. Wright Patman (D-Tex.), is still holding hearings into the relationship of prices to economic stability and growth.

This week the committee heard 24 economists from labor, industry, and academic circles. During these hearings and one held last spring, the committee developed a wide variety of views from economists, but little by way of suggestions for public policy.

**The Senate Finance Committee** under Chmn. Harry F. Byrd (D-Va.) conducted another set of hearings this year, but made no recommendations for legislation. Next year, the committee is expected to hold hearings into last summer's drop in government bond prices and into related policies of the

Federal Reserve. But it has given up any idea of dealing with inflation in the broad sense.

**The Antitrust & Monopoly Subcommittee** of the Senate Judiciary Committee under Sen. Estes Kefauver (D-Tenn.) will continue its look at the pricing policies of industry. It has produced reports on steel and autos; it plans further studies on bread and drugs.

• **New Director**—The assignment to tackle the inflation problem broadside will be the first major test for Roderick H. Riley, appointed last summer as staff director for the Economic Committee. Riley succeeded Grover C. Ensley, who served nearly 10 years.

It was under Ensley's leadership that the committee staff won a respected place for itself as a non-political, thoroughly professional group advising members of both parties impartially on economic trends.

Riley, 49, is a veteran of many government economic posts. He was in charge of research for the Office of Price Administration during World War II. Later, he was with the Commerce Dept., the State Dept., and the Small Defense Plants Administration. When the Eisenhower Administration took over in 1953, he opened an economic consulting office in Milwaukee.

## Giant "Wholesale" Bank in the Making

**Merger of New York's J. P. Morgan and Guaranty Trust would create a powerful new institution.**

A new challenger this week joined the hot competitive race among New York's giant banks.

J. P. Morgan & Co., Inc., one of the country's most respected banking houses, and Guaranty Trust Co., which enjoys high ranking as a "wholesale" bank, announced that they planned a merger. The new bank, which would be known as Morgan Guaranty Trust, would be the fourth largest in the nation, third largest in New York City.

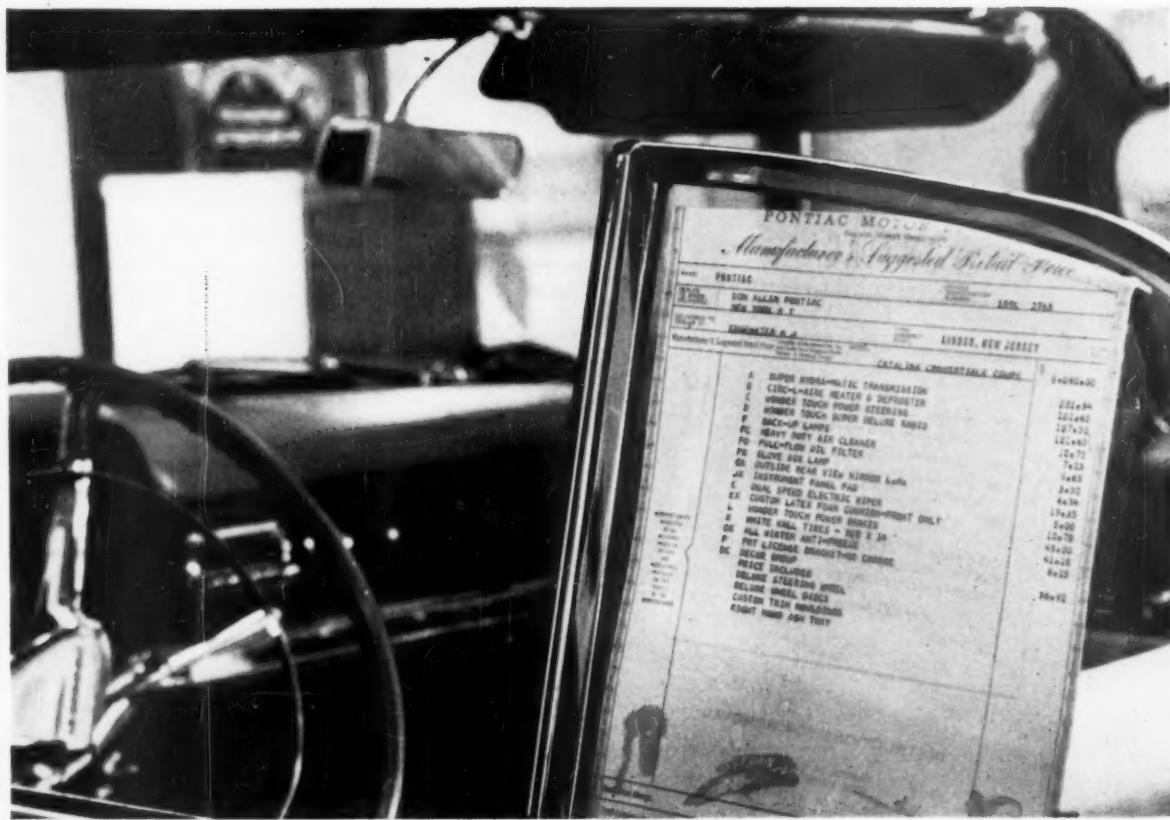
The deal came as a surprise to the banking community. It will have to be approved by both the Federal Reserve Board and New York State's Banking Dept. If it goes through, it is bound to stir up a new wave of mergers and competitive realignments among New York's big banks.

Morgan Guaranty could dominate "wholesale banking"—concentration on big corporate customers—in the city. The stock market took this view, for in active over-the-counter trading, Morgan's shares shot up over 50 points to 395 following the news and Guaranty stocks rose nearly 10 to 95.

• **Morgan First**—Under the proposed merger, Morgan, by far the smaller

bank, appears to be getting some advantages. While Guaranty will be absorbing Morgan by providing 4-2/5 of its shares for each Morgan share, Morgan's name comes first, and its officers will take most of the key positions. As one observer put it: "This is like Jonah swallowing the whale." Henry C. Alexander, Morgan's chairman, will become chairman and chief executive officer of the merged bank, while J. Luther Cleveland, Guaranty's chairman, will head the new executive committee. Thomas S. Lamont and Henry P. Davison, both Morgan men, will be vice-chairmen.

Despite its small size, Morgan's has enormous prestige. With the combined resources of Morgan and Guaranty—capital funds of over \$500-million, deposits of over \$4-billion—the merged bank would be a strong competitor for big corporate accounts. It is this very power and prestige that may be a stumbling block to the deal. According to George A. Mooney, New York's superintendent of banks, "The burden of proof will be on them to prove that the merger will not harm competition."



## Everybody Loves Posted Prices

**Surprisingly, the price tags required by law on all new autos (above) seem to be giving a lift both to sales and dealer morale.**

The price tag on the automobile in the picture has an important meaning for business in general and the auto industry in particular. For it's making both auto dealers and their customers happy. This combination of smiles is tentative indication that the 1959 models will be a solid sales success.

This year's new kind of price tag is symbolic of a new atmosphere in which auto dealers must operate. Ordinarily this time of year, they have problems enough just getting a balanced stock of new cars from the factory to take advantage of the interest generated by the factory's new car promotion.

This year, auto dealers must also operate within a federal law requiring that the price of the basic car and all its optional equipment be posted on the vehicle. Traditionally, auto retailers ran a horse-trading type of business, but the new law takes the sales prospect behind the veil. This could be an enormous disadvantage.

• **Popular Law**—But if you talk to auto

dealers—as BUSINESS WEEK reporters from coast to coast did this week—you'll hear them say the price tags are helping to sell cars. The tags are giving dealers better profits. And they are giving prospects a new feeling of confidence in the auto dealer. "It has taken the mystery out of the auto business," says a dealer in Philadelphia.

### I. More Cars Needed

Maybe it is confidence in the dealer, maybe it is confidence in the economic outlook, but with few exceptions (notably in Pittsburgh) dealers say the sales outlooks are brightening. For the first ten days of December, they reported sales of 17,100 cars a day to the factories—a hefty jump from the November figure. December should be a good month "if only we can get enough cars."

Back in the plants, the auto companies are trying to take care of that. Last week, Chevrolet rolled out 45,000 cars, the highest in its history. Rambler's 8,000 was also its new peak. Cadillac hit a new high with 4,413. Ford's 33,500 was only a little below its highest output for the year. So it went, with all plants save beleaguered

Chrysler straining for a few more cars.

• **Hottest Models**—Just how well each make of car is faring depends largely upon supply, if you believe the dealers. In Detroit, Ford claims that it will outsell Chevrolet for the fourth quarter of the year (although Chevy is far out in front for the full year). Over the country, it is always Chevrolet and Ford, of course, as the front runners.

American Motors Corp.'s Rambler is still picking up steam. "Last year was wonderful," says a Rambler merchant in Austin, Tex., "and this year is better." In Philadelphia, the Rambler man says "sales are up 75%." In New England, Rambler sales are exceeded only by Chevrolet and Ford.

Studebaker-Packard's new Lark seems to be off to a soaring start. In Rochester, N. Y.: "It's red-hot; orders are far ahead of deliveries." In Cincinnati: "We're beginning to cut in on the foreign market." In Atlanta: "The Lark is going twice as good as we had anticipated." In San Francisco: "We sold more Larks in a month than we sold Studebakers all last year."

• **Buick and Pontiac**—Much attention in Detroit has focused on the prospects for Buick and Pontiac—Buick because it took such a fearful clobbering this

year, Pontiac because its general manager, Semon Knudsen, has set out to change the car, its image, and its market completely.

Buick dealers to a man are confident of moving more cars than they did in the 1958 model year, but are not so sure of beating 1957 (when Buick sold nearly 400,000). But a dealer in Austin reports, "It's going to be better than during the last two years—if not, I don't want to stay in this business." From Philadelphia there's a disquieting note: Buick started high, then dropped off.

In the same city, a Pontiac dealer says the difference between this year and last "is like night and day." In Atlanta: "We're having our best year since 1955." In the Midwest, a Des Moines Pontiac man claims it is going to be his best year since 1956.

Shuffling through the reports, you get a feeling that a lot of this improved outlook is psychological—dealers feel better about their business. The reason is that the price tags have restored stable prices and profits.

## II. Honesty by Law

The posted price—which is the full retail price before bargaining begins—has surprised the public because it's so high, says a Miami Chevrolet dealer. "But it hasn't scared any legitimate buyers off," he adds. "The one who thought the price was too high wasn't going to buy anyway."

So one effect of the price tags has been to keep prospects in the showroom. The ones who finally sign a contract are getting, on a rough average, only 10% to 15% off the posted price. Actually, this is about the same percentage discount from the true price as always. But the dollar amount of the discount is greatly reduced.

• **More Realism**—A Miami Buick dealer explains the change: "In years past, the dealers were offering fantastic over-allowances for trade-ins. But they jacked up the list price of the car just as much—and more. Now, with a stable list price, you'll be seeing plenty of the sharpies resorting to desperate tactics to sell their cars. In the end, they'll lose out. The public, with a legitimate list price to work from, will know how to deal with them."

Most dealers interviewed by BUSINESS WEEK are offering the prospect the wholesale price for his used car and then shaving the posted price about 12%. The dealer buys the new car from the factory at 22% to 25% under the posted price (his discount is greater on accessories). So he's still got a margin of 10% or better on the new vehicle, plus a profit on the used car.

Obviously, the price tags have firmed up the whole business and diminished—although not eliminated—shopping

and price haggling. Some dealers are trying to capitalize on the new tone. Says a San Francisco dealer: "I have a standing order that any salesman who uses the word 'discount' is automatically fired." He still gives discounts, but doesn't like the word any more.

The price tags have radically altered most dealers' showroom tactics. It used to be you let the customer get interested in the car and then you approached him. The advice now from dealers is "get the salesman up there fast to explain the price."

• **Foot Dragging**—Some dealers have another sticker on the car, which shows

the "difference" between the posted price and what the dealer will sell the car for. A few others are being dragged into playing ball; they'll roll down the window bearing the sticker or put only stripped models on the showroom floor.

There is one drawback to the price stickers, report dealers in Chicago and other areas. The salesmen don't like them on their demonstrators; it's embarrassing at the country club. But everything balances out. A Rambler dealer cites one sale made to a man who saw a demonstrator, with its price sticker, parked on the street while the salesman was having lunch.

## AT&T Rockets After 3-to-1 Split

**Dividend will pierce \$9 ceiling, with three new shares bringing \$9.90. First sales after news bring \$225, a jump of \$23; brokers expect further rise.**

One of Wall Street's oldest and most wish-laden rumors finally came to pass this week: American Telephone & Telegraph Co. announced that it would recommend a 3-to-1 split in its stock, and will give stockholders \$9.90 in dividends from three shares compared to the present annual dividend of \$9 per share.

The news stunned the stock market. Only last month, AT&T directors announced the usual \$2.25 quarterly payout, which has been fixed for so long that it has had the appearance of immortality. Earlier, the stock had risen to over \$200 a share on new rumors that a split was being considered, but when the directors made no change AT&T shares dropped back to \$194.

When the announcement came this week, trading had to be suspended as buy orders poured in, many of them odd lots. Just before the news broke, the stock had climbed back to \$202. But when trading was finally resumed, the first block moved at \$225 a share.

• **Growth Stock**—Most brokers felt that the price would go even higher. For years, AT&T has been the favorite stock of the small investor, or what Wall Street calls the "widows and orphans" category. This is because of the permanence of its \$9-a-year dividend. Now, brokers were saying that AT&T has transformed itself into a true growth stock.

Spokesmen for AT&T said that the split will help to widen the base of AT&T's ownership, although its 1.6-million stockholders already give it the largest number of shareholders by a wide margin. But by increasing the number of shares from just 78-million to over 200-million, the company will be able to strengthen itself "in competing for the large amounts of equity

capital that will be needed in the future."

• **Financing**—Since 1945, AT&T has raised \$12.5-billion for expanding and improving the Bell System, which dwarfs all other corporate financing operations. About \$4-billion of this total has come from direct sales of convertible debentures to AT&T's army of stockholders. Without this method of financing, AT&T would be hard pressed to raise capital cheaply.

The capital expenditures the company has made have helped improve earnings. In 1947, AT&T showed a rate of return of less than 4% of its plant. But this year, it will probably show earnings of over 6%. Historically, AT&T has provided its stockholders with a big payout, averaging over 80% of earnings. The proposed hike of 10% in the dividend payout won't mean a bigger payout percentage because of the rise in earnings.

• **Rate Hike**—The one big question is whether AT&T's action will affect telephone company rate requests which have to be approved by state public service commission. On the face of it, there's no direct connection between the increase in the shares and the new dividend rate, and a telephone company request for a rate-hike. But there's no doubt that AT&T has tended to represent its fixed dividend payout as a reason for a hike, and this argument will no longer hold water.

Actually, as a holding company, AT&T is not regulated by the states. But its subsidiaries may find it a little more difficult to get rate hikes in the future. However, one AT&T man said this week that "the directors can meet the new payout out of current earnings—they were not betting on hikes to make it."

# Gold Flashes a Warning

**Loss of \$2-billion from U.S. stock, largest ever in a year, indicates competitive problems for U.S. exports; but exaggerated fears of "gold bugs" will die as drain lessens.**

Since the year began, the U.S. has lost well over \$2-billion in gold—the largest drain we have ever had on our gold stock in a 12-month period.

To most people, this is a meaningless statistic. But to a small group of central bankers and a somewhat larger number of gold enthusiasts, the drain is of enormous significance.

The most extreme of the gold enthusiasts—such men as Franz Pick of Pick's World Currency Reports and Philip Courtney, head of Cott, Inc.—claim that the drain suffered this year will bring on an exchange crisis. But the loss of gold is about what Administration and Federal Reserve authorities had predicted earlier in the year (BW—May 24 '58, p68). These experts said then that there was no possibility of any serious crisis unless the drain became a flood.

And despite the alarms sounded in some quarters, the drain has not turned into a flood. In fact, it has been more like a trickle in the last few months. According to Miroslav Kriz, former gold analyst for the New York Fed now with New York's First National City Bank, there should be no substantial loss in gold next year, although it is doubtful that the U.S. will be able to rebuild its stock.

• **Old 'Rules'**—But such rebuilding is not necessary. For gold no longer has the special importance it possessed in the old gold standard era. Then, when paper currency could be freely exchanged for gold, any change in the nation's gold supply called for prompt action—in accordance with what central bankers recognized as "the rules of the game."

When a country lost gold, its central bank would cut the domestic money supply and raise interest rates. This deflationary policy brought about a drop in demand for imports and created unemployment, which cut costs. Lower costs—and higher interest rates—attracted foreign demand, brought gold flowing back.

• **Symbol**—This is not the case today. Gold still has importance, but it is no longer viewed with automatic reverence. It is more of a symbol, a barometer of a nation's financial status and its relative standing in world trade.

The U.S. itself now observes a gold bullion standard. This means that gold can no longer be bought with dollars by private citizens within the U.S.—although it can be bought, with dollars,

abroad. Under the U.S. version of the gold bullion standard, the nation's money supply—currency plus demand deposits of the Federal Reserve's member banks—must have a minimum backing of 25% in gold. At present, the gold backing amounts to over 40%.

Moreover, gold is used as a medium for settling payments in international trade. The U.S. will buy or sell gold to foreign central banks at the fixed price of \$35 an ounce. So that when a country with a trade deficit wants to pay up, it can sell gold here; similarly a country with a trade surplus can exchange the dollars it earns for gold.

• **And Warning Sign**—This is gold's real function—and significance—today. A country that persistently loses gold is put on warning that it is losing its competitive standing.

The U.S., which still holds over 50% of the free world's gold supply, is hardly in a desperate situation. But the loss of gold is flashing some warning signals. Last week, for example, Fed Chmn. William McC. Martin warned that there was real concern about the strength of the U.S. dollar abroad; and he warned that some foreigners felt that "American goods are going to find themselves priced out of the market."

• **Reason for Loss**—It appears that the U.S.' trading position is the main reason for this year's big gold loss. All during 1958, foreign countries have been amassing dollars. This is because they sold more goods and services to the U.S. than we sold abroad.

The dollar surplus that foreign countries have piled up this year has largely been turned into gold—almost all of it held under "earmark" in New York's Fed bank. But there has been no liquidation of existing foreign dollar holdings. Total foreign dollar holdings have increased, too. So there has been no flight from the dollar into gold, which would imply real fear.

But this has not stopped gold bugs from predicting that such a run on the dollar is just around the corner.

• **No Panacea**—The combination of nostalgia and fanaticism that affects most gold devotees is not difficult to explain. There is no question that adherence to the gold standard imposed an automatic discipline on a nation, a discipline that some gold advocates now feel is lacking.

But though the gold standard did work for a time, critics point out that it

was not nearly so efficient as its present adherents believe. It did not prevent inflation; it tended to aggravate deflations; it had a distressing faculty for breaking down at critical moments.

Most authorities consider that the gold standard should be a result of stable world trade, not a way of getting it. Their position is that when all currencies are freely convertible, we will be on what amounts to a gold standard automatically.

• **Redistribution**—The present loss in the U.S. gold supply is giving the gold bugs something to argue about. But just over a year ago, they were seeing grave danger signs in Britain's loss of reserves. Britain, however, has been the chief beneficiary of the U.S. loss, adding about \$1-billion to its gold reserves.

It's apparent that the rest of the free world, which once had a dollar shortage, is at least temporarily dollar-rich. Kriz says the redistribution in reserves is healthy, that many countries are now in a better position to withstand stress on their reserves.

• **Export Problems**—This is a possibility, but it is also plain that the U.S. must expect to meet tougher competition in its exports. For Western Europe has enlarged its capacity to manufacture products formerly bought from the U.S. And a great many buyers abroad consider that U.S. goods cost more than their European equivalents.

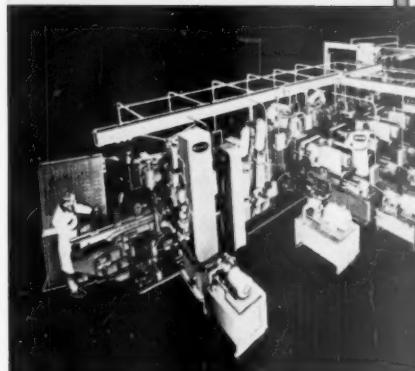
Martin's warning was directed to this development. But observers say that his attitude has itself helped stimulate the gold certificates. As one banker put it, "Martin should take action to stop the dollar from deteriorating. Merely talking about it only makes people feel that its devaluation is inevitable."

• **Developments and Prospects**—Actually, there has been some movement into gold, on the ground that the U.S. may devalue—by raising the dollar price of gold. But it is marginal. Some investors have bought gold stocks; and they have gone up in price—although not nearly so much as industrial issues. And there has been some buying of gold bars in Canada (BW—Dec. 6 '58, p11).

But few foreign central bankers see a need to increase their gold stocks.

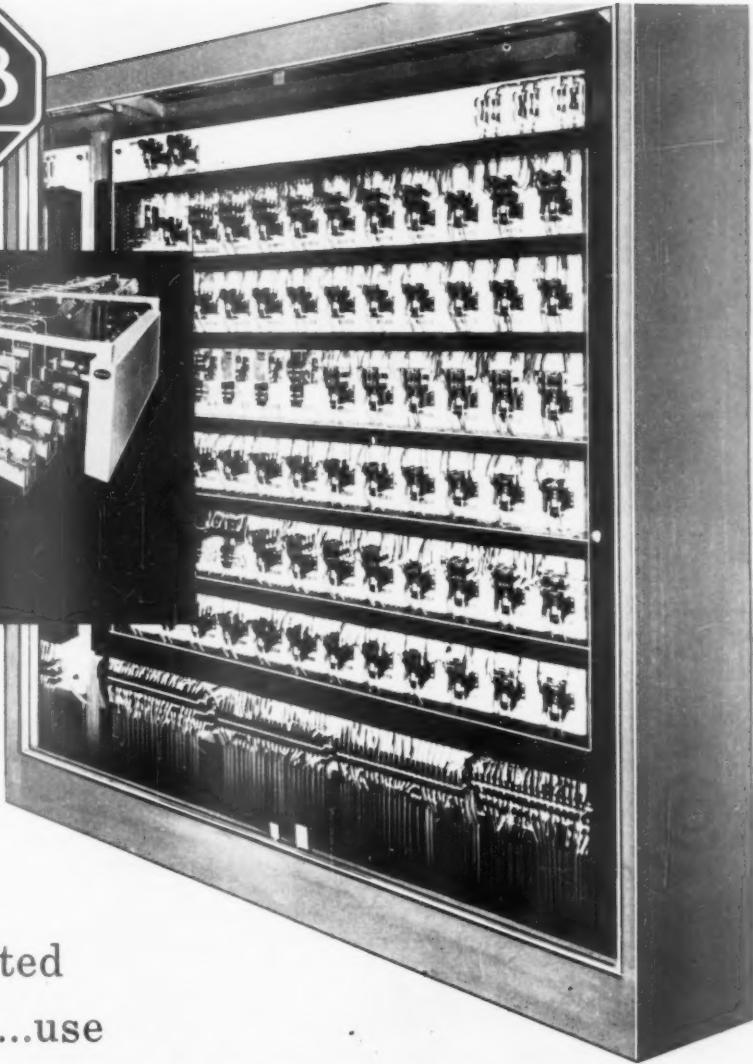
At present, foreign holdings of dollars and gold amount to about \$15-billion. Theoretically, this could all be turned into gold. If that happened, the U.S., with just over \$20.5-billion in gold, would not have enough to provide the legal backing for the money supply. But this could only happen if the U.S. went on a wild inflationary binge. And since the end of World War II the U.S., despite inflation, has managed to maintain a more stable currency than most other countries.

So the hullabaloo about gold will probably die down as the gold drain lessens.



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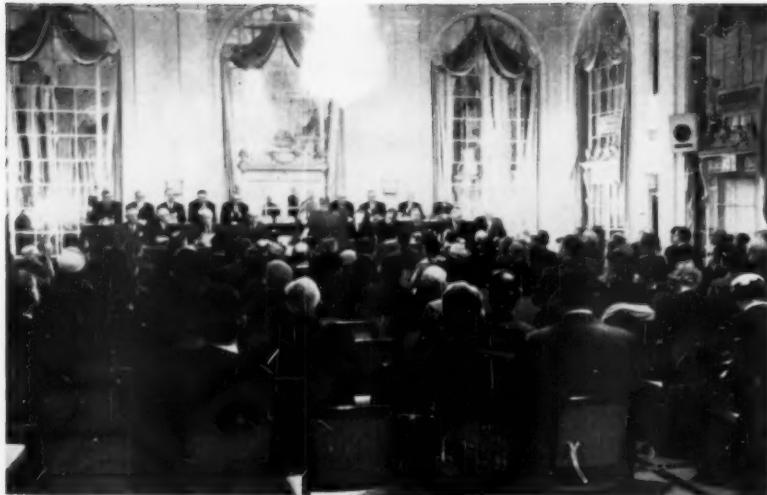
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PUBLIC stockholders meeting—first in A&P's 99-year history—provides glimpse . . .

## Behind A&P's Lifted Veil

One morning last week, 150 or so fur-coated dowagers, retired businessmen, and other assorted investors shuffled into the subdued atmosphere of the Hotel Biltmore's Music Room, in New York City. They were met by a sight never before seen in public: the entire board of directors of the Great Atlantic & Pacific Tea Co., Inc., assembled on a dais at the end of the room.

At a lectern, Pres. Ralph W. Burger waited to open the first public A&P stockholders meeting since George Huntington Hartford founded the food chain 99 years ago. The purpose of the meeting was to vote on a proposed merger of operating and holding companies, to simplify A&P's corporate structure and reclassify its outstanding stock by converting all preferred, non-voting and voting common into 21,639,206 shares of a new common.

• **Public Gaze**—The meeting ended the complete privacy with which A&P management has been accustomed to run company affairs. Part of the proposed merger involved listing the new common stock on the New York Stock Exchange, and registration statements filed with the Securities & Exchange Commission have yielded a swarm of facts about the company.

The meeting itself was public because the proposed merger had to be approved not only by the closely held voting common stock but also by holders of first preferred stock, who do not normally vote but whose rights were affected. The first preferred has been traded on the American Stock Exchange and held in part by the public.

• **But Little Change**—Overwhelming stockholder approval of the merger now puts some of the A&P voting common

stock into public hands for the first time. But the chief effect is to leave ownership pretty much where it was—in the hands of the Hartford family and the John A. Hartford Foundation, headed by Burger.

Here is how that comes about:

Before last week's merger, the food chain's operating company, incorporated in Maryland (the company that held the public stockholders meeting), had outstanding 260,362 shares of first preferred stock, 1,150,000 of voting common, and 935,812 of non-voting common. About a third of the first preferred, all of the voting common, and some 62% of the non-voting common was held by a parent company, the New York Great Atlantic & Pacific Tea Co. Heirs of George Huntington Hartford held some 60% of the parent's common stock, and the John A. Hartford Foundation the remaining 40%.

• **New Setup**—Under the merger terms, the New York corporation has been merged into the Maryland corporation. New voting common stock is being issued, with holders of Maryland A&P preferred getting three shares of the new stock for each share they hold, and holders of voting and non-voting common receiving 10 for one. This will put into public hands about 18% of the new voting stock. But the Hartford family and the Foundation together will own about 82%—34% for the Foundation and 48% for the family.

Several developments could increase public ownership. That could happen if the Foundation or the heirs should sell some of their holdings. And Wall Street reports are that A&P itself

may issue a public offering next year. • **Biggest**—Meanwhile, the public is getting a glimpse of A&P operations, heretofore the subject of speculation. Disclosure of the big food chain's sales and earnings reveals a picture of slow but steady growth. The jump in sales from about \$2.5-billion in 1948 to \$4.7-billion last year makes A&P by far the country's biggest food chain. It had more than twice the \$2.1-billion 1957 sales of its nearest competitor, Safeway Stores, nearly three times the \$1.6-billion of Kroger Co., the third largest chain.

In fact, A&P is the country's largest retailer in any category, way ahead of Sears, Roebuck's \$3.6-billion, J. C. Penney's \$1.3-billion, and Montgomery Ward's \$1.1-billion.

A&P earnings after taxes rose from \$39.7-million in 1948 to \$50.6-million last year. Up to Aug. 23 this year, sales were about \$2.5-billion, earnings \$24-million. Pres. Burger told stockholders 1958's gains will end up as large as were 1957's.

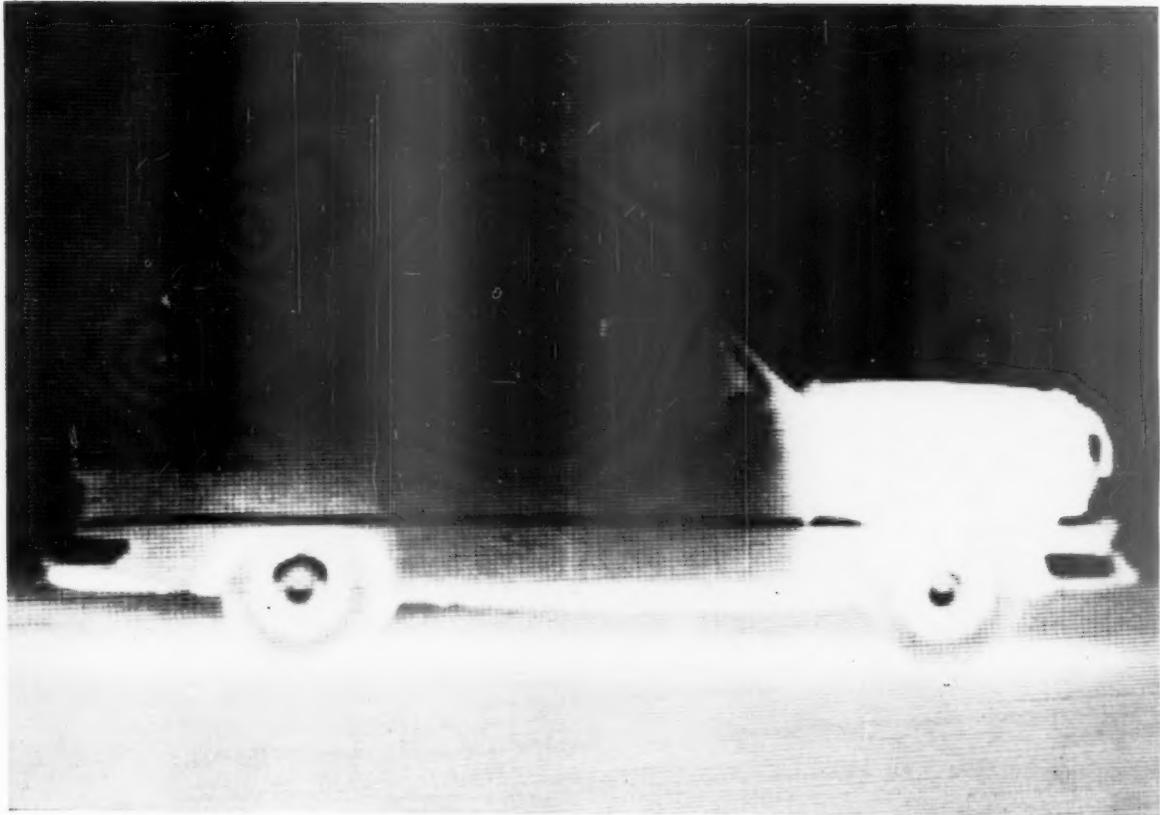
• **Low Profit Ratio**—Even in a field conspicuous for a low ratio of earnings to sales, A&P has lived with a tight lid on its profit ratio. Last year's earnings were barely more than 1% of sales; past years have seen the ratio below 1%. Other top food chains run around 1.5% or 2% of sales.

• **Empire**—The public also got some idea of the scope of A&P's retailing empire. At the end of its last fiscal year, it had 145,000 employees, operated 4,046 retail outlets in the U.S., 151 in Canada. But while A&P is considered a national chain, its stores are far from nationally distributed. It has concentrated its stores where most people live—in New England, the Eastern Seaboard, the East Central States.

The 1,429 stores in New York, New Jersey, Pennsylvania, Delaware, Maryland, and the District of Columbia accounted for 40% of 1957 sales. Next largest slice—25%—came from 1,042 stores in Illinois, Indiana, Michigan, Ohio, Wisconsin. But 11 states, mostly in the Midwest, have no A&P stores; Arkansas has only three, Minnesota two, Nebraska and Oklahoma one each.

• **Conservative**—A&P has lagged behind much of the industry in opening larger stores. While three-fourths of its stores are classed as supermarkets (with \$375,000 or more in annual sales), its average store has 10,000 sq. ft. of floor space—modest by some industry standards.

To a great extent, too, A&P supplies its own stores. It operates all sorts of manufacturing and processing plants, including 36 bakeries, four salmon canneries, 13 coffee roasting plants. A&P-manufactured items sold under its own brand names accounted for 11% of 1957 sales.



**Thermal photography** has many applications to industrial problems involving study of temperature distri-

bution over large or small areas. Camera is produced by Barnes Engineering Company, Stamford, Conn.

## New infrared camera gets...

# a candid picture of heat

Here's a car with its motor running — as seen by an electronic thermal camera.

Look at this not so much as a picture of an automobile but as a picture of *heat*. For that's what it is — a candid shot telling the trained eye exactly *where, how and how much heat* is distributed about engine, body and chassis.

Thermal camera photographs give engineers an important new tool for evaluating designs. Of many kinds. In many fields.

**How thermal camera works.** All warm objects radiate infrared energy. A "detector" inside the camera converts this heat radiation into an electrical signal. It is amplified by tubes containing Nickel... processed

... pictured on film. Cool areas appear black; higher temperatures show up lighter.

The detector, more than any other single component, determines the capabilities of the camera. The ideal detector has high sensitivity... low electrical noise level... fast response.

**Extremely efficient.** The infrared detector is made of a thin flake of semiconductor material composed of Nickel and other oxides called a "Thermistor". This type of semiconductor was originated by the Bell Telephone Laboratories. These oxides absorb infrared rays and the resulting minute change in temperature causes an appreciable change in electrical resistance. Sensitivity is further increased by forming the flake

razor-edge thin. (And even then, platinum contact wires are readily bonded to it!)

**The use of Nickel** in the infrared detector is another example of the efficiency and adaptability of this important element. Be sure to investigate Nickel compounds and Nickel alloys whenever you are faced with a problem calling for unusual electrical or electronic properties... or when you need one with superior ability to withstand destructive service conditions. And don't hesitate to call on Inco for any technical data or other help you need.

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# In Business

## Boston & Maine Seeks Fiscal Cure In Fewer Trains, Longer Bond Maturity

Like many Northeastern railroads the Boston & Maine will lose money this year—about \$3-million. To make it worse for the B&M, it has \$47-million in 4% bonds maturing July 1, 1960, and the road points out that refunding will be tough without profits.

In an effort to cope, Pres. Patrick B. McGinnis is trying two tacks:

- He has asked the Massachusetts Dept. of Public Utilities to permit the B&M to make further cuts in unprofitable passenger services.
- He is talking to the biggest holders of the 4% bonds, seeking to delay the maturity by about 10 years. McGinnis says the extended bonds might have to carry interest in the range of 5% to 6%.

## Eastern Airlines Eyes Yule Traffic As One Strike Fades, With One to Go

Strike-grounded Eastern Air Lines this week had one walkout almost ended and one to go in its struggle to get into the air for the Christmas rush.

Rank and file members of the International Assn. of Machinists are preparing to vote on a pay rise of roughly 49¢ an hour agreed on by the company and union negotiators. The pact, retroactive to Oct. 1, is roughly what the union has been asking.

However, no settlement had been reached at midweek with the striking Flight Engineers International Assn., and it is unlikely that the mechanics would cross the engineers' picket line even if their own walkout is settled.

## High Court to Hear Appeals on Scope Of NLRB Probes, Grand Jury Secrecy

The Supreme Court this week agreed to review two important lower court rulings:

- That the National Labor Relations Board cannot go beyond the facts set out in an unfair labor practice charge when it rules on the charge. NLRB says that its Taft-Hartley enforcement is "seriously crippled" if it cannot use facts it turns up itself.
- That companies accused of anti-trust violations cannot use grand jury testimony in cross examining government witnesses. Pittsburgh Plate Glass Co. and two others convicted of conspiring to fix prices are challenging the traditional secrecy of grand jury proceedings.

The court also granted a Justice Dept. request that it set aside the conviction of Guerlain, Parfums Corday, and Lanvin Parfums on charges of using U.S. trademark laws to monopolize imports of French perfumes. The antitrusters say they still think the conviction was

correct, but that action by Congress to clarify the law is the proper cure.

In a case pressed by the Food & Drug Administration, the court in effect ruled that red coal-tar color No. 32 may not be used to color oranges after Mar. 1, unless Congress passes a new law. That date marks the end of a three-year stay granted by Congress, after FDA forbade use of the dye by growers in Florida and Texas.

## Westinghouse, Utility Give Up Effort

### To Develop Homogeneous Power Reactor

Pennsylvania Power & Light Co. and Westinghouse Electric Corp. have given up after spending \$8-million and three years trying to build an atomic power plant using a homogeneous reactor—a type whose liquid fuel also serves as coolant (BW—Feb. 9 '57, p103).

The project hit a familiar snag: Further research and development was pointless unless a costly prototype plant was built.

## Business Briefs

Federal Trade Commission examiners are grinding out decisions for review by the full commission—and perhaps the courts. Last week an examiner held that Brillo Mfg. Co. did not violate the Clayton Act when it acquired a competitor in the steel wool field. This week, a different examiner held that Erie Sand & Gravel Co. did violate the act when it acquired a major competitor in the lake sand market on the southern shore of Lake Erie.

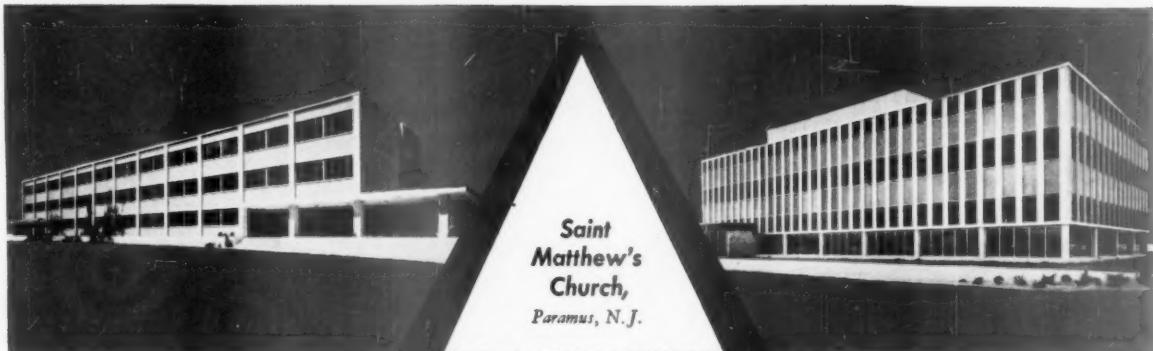
The Illinois Supreme Court has ruled that Jackson Martindell, head of the American Institute of Management, is entitled to buy 67% of the stock and debentures of Marquis-Who's Who, Inc., under a 1952 deal with the late publisher Wheeler Sammons, Sr.

Internal Revenue Service agents in Ohio are wondering whether dues payments to the state Chamber of Commerce shouldn't lose their tax exempt status because the Chamber poured its entire \$600,000 reserve funds into the vain fight to secure a "right to work" law in the November election. The Chamber made a \$261,000 direct loan to the drive, and put up \$348,000 in bonds as part security on a bank loan. The Chamber secretary said the money will be written off as a loss.

The Wisconsin Restaurant Assn. next month will reconsider the 5% service charge it decided to slap on diners using credit club cards (BW—Dec. 6 '58, p30). At least eight restaurateurs had protested the levy.

Rocketdyne Div. of North American Aviation has been picked by the National Aeronautics Space Administration to design and develop a rocket engine with a thrust of between 1-million and 1.5-million lb.

Adm. Frederick J. Bell (Ret.) was fired as executive vice-president of the National Automobile Dealers Assn. One board member said that some of the directors had "wanted a strong man to run the show," then decided they "didn't want what they had asked for."



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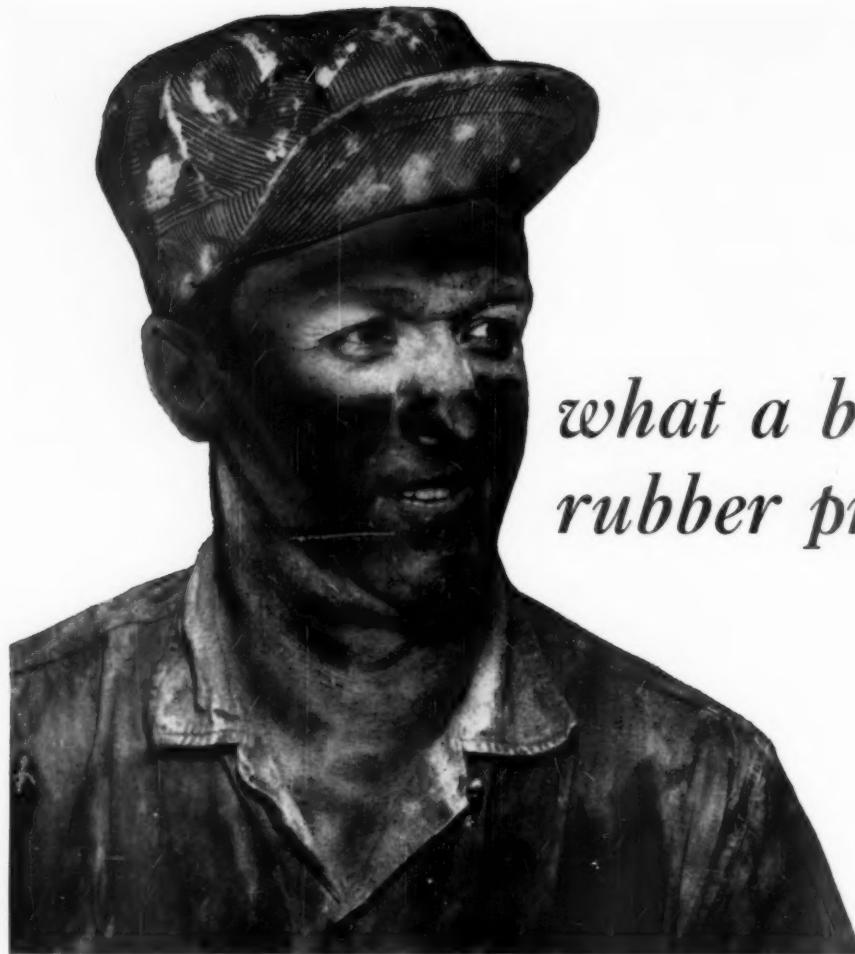
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WSW 7350



*what a break for  
rubber processors!*

## New AMERIPOL MICRO-BLACK banishes black mess, boosts Banbury output 25% or more

If you manufacture rubber products, why mess with the handling, storage, weighing, milling and mixing of carbon black? You can eliminate all those operations, and thereby increase your Banbury mixer output 25% or more, with new Ameripol Micro-Black masterbatch in your recipe. Here's why Micro-Black is a break for rubber processors.

**Carbon black is already integral** in the Micro-Black masterbatch. You not only cut out all those processing costs, but you get cleaner, faster production. Warehousing is simplified because you eliminate one raw material. Handling is also simplified because Micro-Black masterbatch is shipped bareback.

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# WASHINGTON OUTLOOK

WASHINGTON  
BUREAU  
DEC. 20, 1958



**The mood of Washington is uneasy.** Reporters who cover the town detect this in both parties and on all issues, domestic and foreign. Reason: the new Congress, which convenes Jan. 7, only 18 days away. It will launch two years of divided government.

Start with the **Republicans**. They hold the White House and nothing more. But they will play all the angles, aimed at 1960.

**Pres. Eisenhower no longer is as big an asset.** He can't run again, and the party will have to face the nation without a hero candidate.

**So, there are two years to make a record.** And within the top command there is no agreement on what the record should be.

## Here's how the party divides:

**On one side, you have the conservatives.** Most observers say these are the people who lost the last election—the Brickers, the Knowlands, and the Malones. It was the GOP right that suffered the most.

**Then, you have the GOP liberals.** They still don't control the party. But they won spectacular victories in a few states—Rockefeller and Keating in New York and Scott in Pennsylvania. Now they want more say in the party.

**In Congress their revolt won't amount to much.** On the House side, the leader still will be elderly Joe Martin of Massachusetts. On the Senate side, the Dirksen-Bridges axis will prevail, but California's liberal, Kuchel, may be made the Senate "whip" giving his group regular contact with the White House.

## Vice-Pres. Nixon will become more of a legislative leader.

Fact is that Nixon belongs to neither the extreme right nor left in his party. During the campaign, he was forced to the right. You now will see him become a middle-road man, trying to hold support from both extreme factions of his party. And it is significant that Eisenhower called Nixon in on the writing of the State-of-the-Union message. Nixon is no spendthrift. But he is not so wedded to a balanced budget as is his chief.

**Watch for Eisenhower's January budget**—the spending schedule for fiscal 1960, the 12 months starting next July 1.

**Balance now is being rumored.** The idea is that Eisenhower may be able to hand Congress plans for expenditures that will be just about matched by receipts. This would mean that the estimated deficit of some \$12-billion this year would be wiped out next year, without any major cut in the level of federal spending. The GOP leaders put out the line on a balanced—or as nearly as possible—budget after meeting with the President this week.

**The gamble is on the business rise.** In fact, there may well be a spectacular gain in revenue. The last big gain was in 1955-56, when it totaled nearly \$7.8-billion on the Treasury's books. It would have been nearly \$2-billion more, except for a change in the tax laws. What Eisenhower hopes for now is an even greater rise. This explains the balanced-budget hopes.

Here's how most observers add up the budget prospects:

# WASHINGTON OUTLOOK (Continued)

WASHINGTON  
BUREAU  
DEC. 20, 1958

A balance is unlikely. But the huge \$12-billion deficit indicated for the present fiscal year won't be repeated. Eisenhower has moved in hard on spending. In fact, just about every agency has had its money requests returned with orders to cut them. And cuts have been made. This started with the Pentagon and ran through the whole list of non-defense operations. But bear in mind that what the President has done is mostly just to push back or delay scores of projects. The pressure is on the upside and will break through, sooner or later.

— • —

**Now look at the Democratic problem**—why the party's House and Senate leaders worry.

**Majorities are lopsided** and thus raise problems of discipline.

**Here's how it shapes up in the House:** 283 Democrats to 153 Republicans. That takes you back to Roosevelt days, in the 1930s.

**In the Senate:** 64 Democrats to 34 Republicans.

**What troubles the leaders is this:** In a closely divided Congress, they can insist on regularity, arguing that they must have every vote in order to write a record for the party. With today's divisions, Speaker Rayburn and Senate Leader Johnson can't make this argument. They will have to wink at irregularity here and there, as this or that member takes a stand that will do him most good at home. On top of it all, they have to contend with a sizable faction of so-called liberals, who won with labor union backing, who demand big changes in Washington, and who see liberalism as the only way to come back in 1960.

— • —

**Organization of Congress will take time.**

**All major committees will be recast**, both in the House and Senate.

**This will mean shifts of control**, with conservatives holding fewer votes and liberals gaining more.

**Leadership will remain concentrated.** In rebuilding House committees, Rayburn will see to it that he retains a strong hand. He will not permit his major committees to be dominated by the extreme liberals in his party. Rayburn will determine who goes on what committee.

**The Senate job will be more difficult.**

**Johnson has to hoe a tougher row than Rayburn.** His senators are simply stronger men than Rayburn's House members, and can't be "whipped" in the fashion of strong parliamentary leaders. Johnson will bend to the demands of the New Deal Northern and Western Democrats; indeed, Johnson's 14-point program already is evidence of some bending. Johnson no longer can get by entirely with his compromise between the liberal and conservative sides. But he hopes to be able to bend without breaking.

**The next Presidential contest, 1960, will be on all minds.** This is the fact that may persuade Congress to follow moderation.

Democrats want to bury the charges of radicalism made against them by Nixon and Eisenhower in the last campaign. Key House and Senate leaders think they can do this by not going overboard on spending.



## *Merry Christmas*

THOUGH OTHER THINGS may change in this world of ours, Christmas remains forever the same . . . a season of joy and hope and love and faith.

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Christmas as expressed by happy family reunions . . . the spirit of Christmas as symbolized by church bells and chimes . . . and the faith of Christmas as expressed in our worship of the Almighty.

As a New Year dawns, we hope it will bring you the fullest measure of health, happiness, progress . . . and peace and contentment of mind and heart. And may these blessings be with you throughout all the years that lie ahead.

# New underwater



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My girl is on her feet—and thanks to Travelers, so am I."



4.

With all due modesty Norm said, "I would've been benighted  
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## LABOR



IN DETROIT, laid-off Chrysler workers protest the use of overtime. It's one symptom of a technological shrinkage . . .

# The Jobs That Are Gone Forever

Like beautiful new-fallen snow which soon turns to grimy slush, the dirty side of increased productivity—hailed as one of industry's great strengths—began to show in Michigan this week.

With Gross National Product well on its way to complete recovery, economists are pointing to throbbing auto production as one of the necessary giant steps out of the recession. And first-quarter 1959 auto production actually is projected at one-third more than the same period last year.

• **GM's Plans**—What gives observers the chills is the fact very few of the auto workers laid off during the last year will be rehired to help build these additional cars. General Motors, for instance, plans on 25% more cars but only 5% more hourly workers for the first three months.

As auto production got back to full swing, the 328,000 Michigan jobless could be classed as the first large group of victims of "productivity unemployment."

• **Expansion**—During the years of expanding consumer demand after World War II, and spurred to increase its efficiency by ever-increasing labor costs, industry added capacity at a breakneck rate. Just in the three years, 1955-57,

business poured over \$100-billion into new plant and equipment.

It's possible now for the auto industry to produce about 10-million cars a year, according to some economists. For 1958, production will be only about 4.3-million. Even in 1959, which is beginning to look like a surge back to near 1957 levels, production probably will not pass the 6-million mark. And meanwhile, the investment in new equipment and techniques has lowered the manpower requirements.

• **More to Come**—Economists say that what has happened in Detroit is merely a forerunner of what may hit other industries in a few years. Modernization has made possible more output per man-hour; increased capacities mean that goods can be churned out for the rising population—but also that a growing pool of unemployed may plague welfare officials and threaten consumer buying power.

Look at what has happened this fall to Detroit and the auto industry. Christmas traditionally has been a period of high employment, but this year it will be the bleakest since Depression days. With the auto companies (except for strike-bound Chrysler) producing at the highest rate for a year,

200,000 people—or 13% of the labor force—were jobless in the Detroit Metropolitan Area, more than twice as many as a year ago.

• **Benefits Used Up**—Of the total, 75,000 have exhausted all benefits and have had only sporadic work for two or three years. The rest face run-out of benefits within weeks or months and have little prospect of reemployment. Welfare funds are in the red and benefit payments are exceeding payroll tax income.

It used to be in hard times that the jobless could return to the farm—but now there are no farm jobs to be had, as productivity has found its way to agriculture also. Besides, many of Detroit's unemployed have found that even their welfare-supported slum standard of living is better than what they left on the farms and hills. This is particularly true of the Negroes, who can see no future in returning to the South.

• **Fewer Alternatives**—It also used to be true that when a man was laid off from an auto assembly line, he could readily get an unskilled job in construction or elsewhere. Up to a couple of years ago there was a demand for skilled workers or white collar workers around



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Detroit. Now apparently there's no place at all for the jobless to go.

While businessmen, taxpayers, and government officials wonder how they can keep welfare coffers from echoing empty and taxes from going up, the United Auto Workers has been wrestling with unemployment both internally and externally. The UAW's struggles are typical of what unions are facing.

• **Seniority First**—Inside, the UAW has suffered from both a membership and a dues loss. Although it is morally obligated to assist the members now laid off, seniority still prevails.

The pressure of laid-off members is increasing as the realization grows that the auto companies are not going back to 1955 levels of employment. Unemployed Dodge workers have picketed not only Chrysler Corp., but Solidarity House, the UAW International headquarters, as well. These pickets were protesting that overtime work was being done at Dodge and other Chrysler divisions and that neither the company nor the union were doing anything to put more workers on the job instead.

• **Overtime**—The overtime issue pointed up two of the reasons for productivity unemployment. In the first place, decentralization, new machinery, and new methods (in a plant which the union says is outmoded) have dropped Dodge Main employment from a two-shift 20,600 in March, 1957, to a one-shift 7,100 today, while daily production rates have dipped only from 950 down to 550. UAW Dodge Local 3 has been complaining of "speed-up," saying fewer men are expected to turn out the same number of cars per hour. But the company points to time-studies and says the workers aren't working harder, it's new methods.

On the other hand, the company finds it is more economical—even at an estimated additional labor cost of \$15 per car—to pay overtime than to increase the work force for an indefinite period. A Local 3 official suggests why: "With SUB and its extensions to short work weeks and with severance pay, it costs them more to rehire a guy for a few weeks than to pay overtime." A Chrysler spokesman also points out that rehiring additional workers would not increase production unless the plant went to a second shift (so as to utilize the equipment twice-over)—and sales don't justify that much increase.

• **Union Proposals**—Publicly, the UAW has offered—or demanded—three solutions to the permanent unemployment problem: rehiring (which it knows isn't likely to bear fruit); retraining; and increased unemployment and welfare benefits.

Retraining poses a ticklish problem. First there is the question of who should pay for and manage it, the company,

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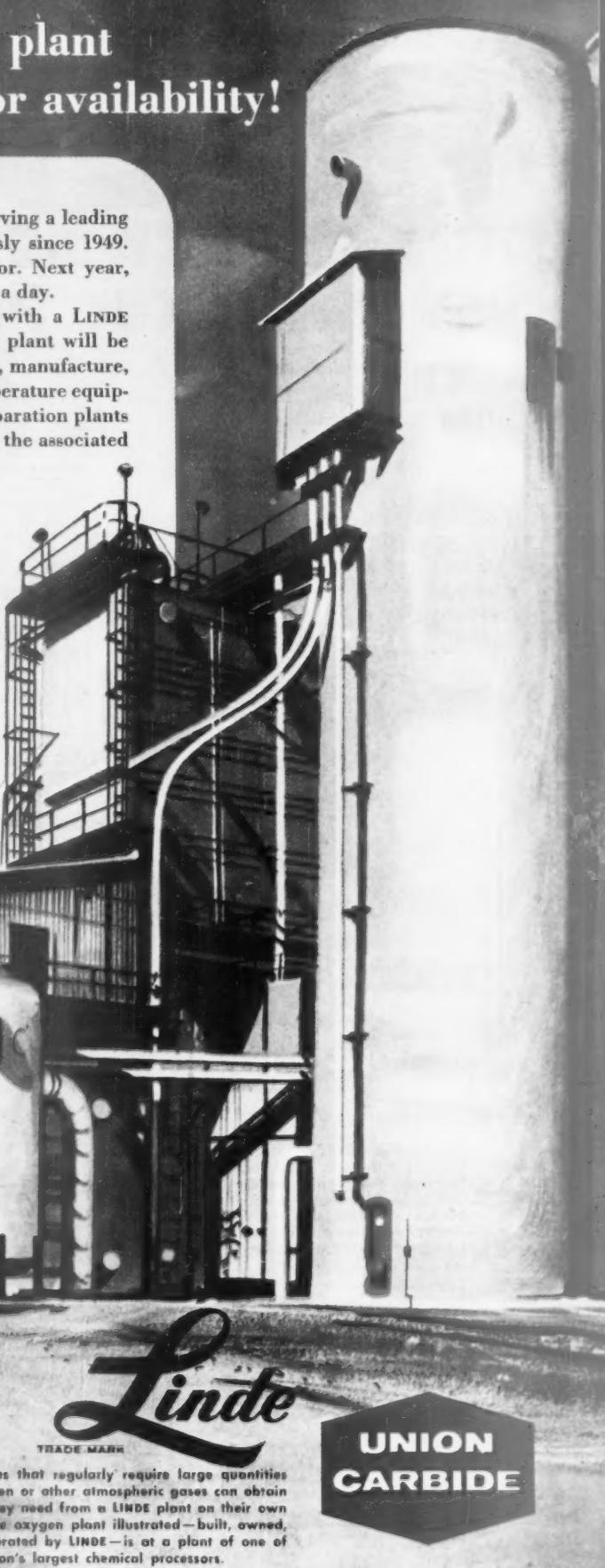
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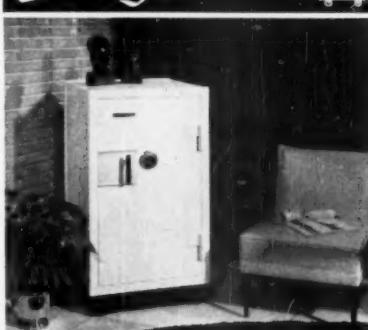
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the union, or the government? Then there is the even bigger question of retrain for what? Unions recognize that jobs are scarce in any event, so they think the federal government should finance an extensive survey of job opportunities. But they admit they don't know where the government should start looking, or whether it will do any good. Furthermore, there are limitations to retraining itself. Not all unskilled or semi-skilled workers are capable of being upgraded, either because of adaptability or ability. Meanwhile, there's always welfare.

In Michigan, therefore, observers admit the outlook for the unemployed is grim. The pavement-pounding ranks are due to be swelled even more and no one knows what to do about it.

## Hoffa Slapped

Court upholds monitors' power over the running of the Teamsters union, just as Hoffa talks grandly.

James R. Hoffa's dream of a 10-million-member Teamsters union last week was neatly timed to turn into a nightmare.

At his union's week-long executive board meeting in Miami Beach, the embattled union president announced plans for organizing millions of workers—including police, firemen, other government employees, and the retail trades—all as members of the International Brotherhood of Teamsters. He spoke of starting with 70,000 employees of Sears, Roebuck & Co.

Meanwhile, back in Washington, Judge F. Dickinson Letts in federal court was shaking Hoffa's hold on his present 1.6-million-member union. The tone of Judge Letts' 13-page memorandum of opinion left Hoffa no hope that the court would approve his expansion plans—and little hope that he could have his own way in running what he already has.

It was a stunning blow for the Teamster leader.

• **Spelling It Out**—The issue before Judge Letts concerned the monitorship that the court had set up over the union early this year.

At that time, 13 rank-and-file Teamsters sued to bar Hoffa's executive board from taking office, on the ground that their election had been fraudulent. This suit was settled by consent decree, allowing Hoffa and his associates to take office provisionally and setting up a board of three monitors, appointed by the court, to supervise union affairs.

Hoffa pledged himself to clean up his union, which was under the heat of



KENNETH PARKER, CHAIRMAN OF THE BOARD, THE PARKER PEN COMPANY

He keeps pen orders flowing—by telegram: Kenneth Parker keeps in close touch with his sales force by attention-getting Western Union Telegrams. And the telegram is a written record...no mistake about it.

WESTERN UNION

For what it's worth...

# Problems that come after the merger

from the CLIENTS' SERVICE BULLETIN  
of The American Appraisal Company

When two industrial concerns merge, there immediately arise many problems connected with property administration and accounting.

Following a merger, some of the assets, frequently an entire plant, may be eliminated from the picture and sold or scrapped. Substantial amounts of machinery and equipment may be transferred between plants or moved to an entirely new plant as specific operations are merged at one location to obtain greater efficiency and volume. The plans of the new company may envisage substantial modernization with attendant long-term financing. Modernization often means rearrangement of production lines, the purchase of new equipment and the disposition of the old.

Such programs create accounting and insurance problems of unusual importance. What is the book or tax cost and depreciated value of the numerous items sold, scrapped or transferred to new locations? What adjustments must be made to the asset and depreciation reserve accounts to maintain the depreciation base for accounting and income tax purposes? What losses on disposition of assets will be recognized? What adjustments in conflicting depreciation policies will be necessary? What adjustments in remaining lives of the assets may be necessary in view of the merger? After all the additions, disposals and transfers have been made, what is then the value of the various properties for insurance purposes?

The logical solution to these problems involves an inventory and valuation of the property acquired, an adequate record of the assets in use after the changes are made, the

ascertaining of the applicable costs and dates of acquisition through the accounting records, an accounting for deductions, a possible allocation of reserves to major items or groups of property, and a fresh look at the remaining lives. It also requires a determination of current values for insurance purposes.

★ ★ ★

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anti-racketeering drives in Congress and AFL-CIO. But it wasn't long before he and the court-appointed monitors clashed. That's what brought the case back into Judge Letts' chambers last week.

There were two questions for the judge to decide: (1) How much power do the monitors have, and (2) have the Teamsters cleaned up enough to end the monitorship and give Hoffa complete control of the union? On both points, Letts ruled firmly against Hoffa.

He spelled out the monitors' power, including authority to force the union's executive board to act against alleged racketeers and to alter any of the board's orders that appeared to run counter to this drive. And he ordered Hoffa publicly to cancel plans for a union convention in March that would have elected officers and closed out the monitorship.

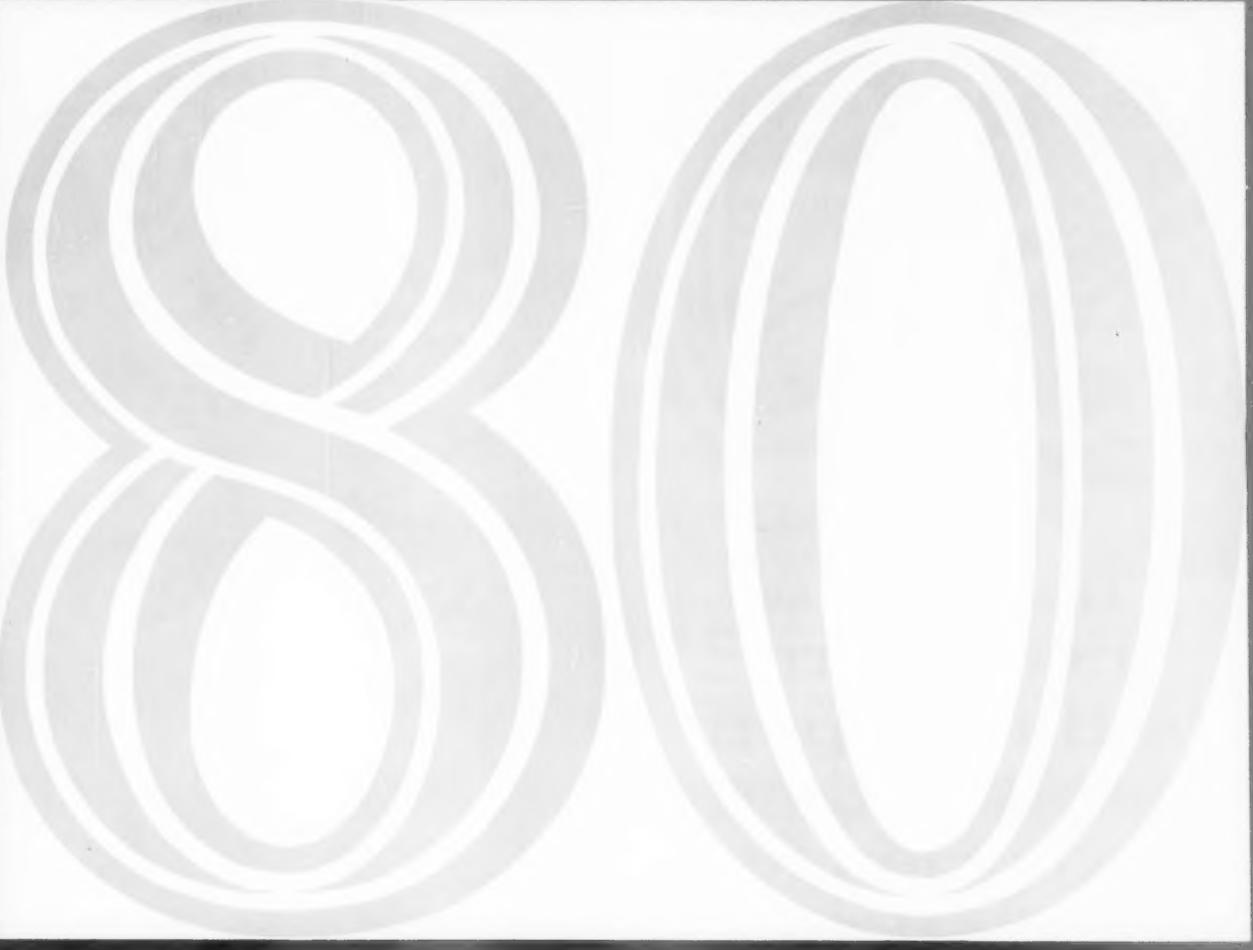
Letts also ruled in favor of the monitors on other disputed points, including a decision that the union can't enforce a constitutional provision—that candidates for union office can be disqualified for not having paid a month's dues in advance—without giving the rule further publicity for several months. Hoffa's opponents say this provision has been used to keep insurgents from running against Hoffa's slates of officers.

• **Hope for Appeal**—Hoffa is expected to try to take his case to a higher court, but there's some doubt that he has the grounds for appeal, at least until further moves are made. Since Hoffa's continued control of the union appears to be at stake, Teamster leaders might create an appealable issue by refusing to comply with Letts' ruling.

The court's opinion is clear that Hoffa and his allies could be removed from office if they fail to follow the orders of the monitors, who are headed by Washington attorney Martin F. O'Donoghue.

Teamster attorneys argued that the consent order originally gave only advisory power to the monitors. They also contended that Hoffa and his aides have taken many steps against corruption in the union. In reply, the monitors cited a dozen orders that Hoffa has flouted, including a demand that union officials charged with corruption be removed from office, at least temporarily. The list of such officers includes Hoffa's closest ally, Owen Bert Brennan, the Teamster leader in the Midwest.

• **Rocky Road**—Hoffa's ambitions have been traveling a rocky road for a year or more. His troubles in court, including charges of bribery and wiretapping from which he was freed, held up his earlier grandiose plans for centralized bargaining and a great transportation union alliance. His union was expelled by AFL-CIO. Now his immediate future is back again in the hands of the courts. **END**



# Years of Progress in Designing and Building for Low Cost of Operation

*The Austin Company • designers, engineers and builders*



The years ahead will have new and different dimensions than the years past. But the roots of the past are important to the future, and on these pages is described "The Austin Story" and its portent of things to come. As designers, engineers and builders, The Austin Company has developed a pattern for tomorrow based on "Low Cost of Operation" for commerce and industry.

*The story continues on the following pages . . .*

AUSTIN AT

80

## The Best of the Future Is Built Upon the Broadest Experience of the Past

This is not a history of building for industry in America. Nor is it a history of The Austin Company, which, this year, is observing its 80th anniversary.

Rather, it is a portent of the future . . . with a look at what there is to build it with. Experience is one of the factors . . . goals to be accomplished are another . . . and the method is the most important of all.

The significant thing about the Austin Engineering-Economic Approach is what it might do for your company. This approach has, in the corporate experience of many of America's well-known companies, helped lower the cost of operations . . . helped make and distribute more and better goods—for the benefit of customers and at a substantial gain for the business enterprises that have employed it.



**1. IDEA BORN IN A FIRE.** In a town north of London, Samuel Austin, a carpenter, read about the Great Chicago Fire. Calculating that there would be lots of building work there, he bought passage to America. Stopping over in Cleveland, he promptly found work, stayed, and soon founded a carpenter contracting business—in 1878.



**2. A REPUTATION GROWS.** Samuel Austin and Son Co. was selected by H. Black Company, Cleveland, to build a new clothing plant. It marked two firsts—the first reinforced concrete building in the city and Austin's first venture as a general contractor.



**3. "UNDIVIDED RESPONSIBILITY."** After Samuel Austin had taken his son, a graduate engineer, into the business, they developed a new idea—The Austin Method of Undivided Responsibility which combined engineering and construction under one contract to eliminate gaps and overlappings in responsibility.



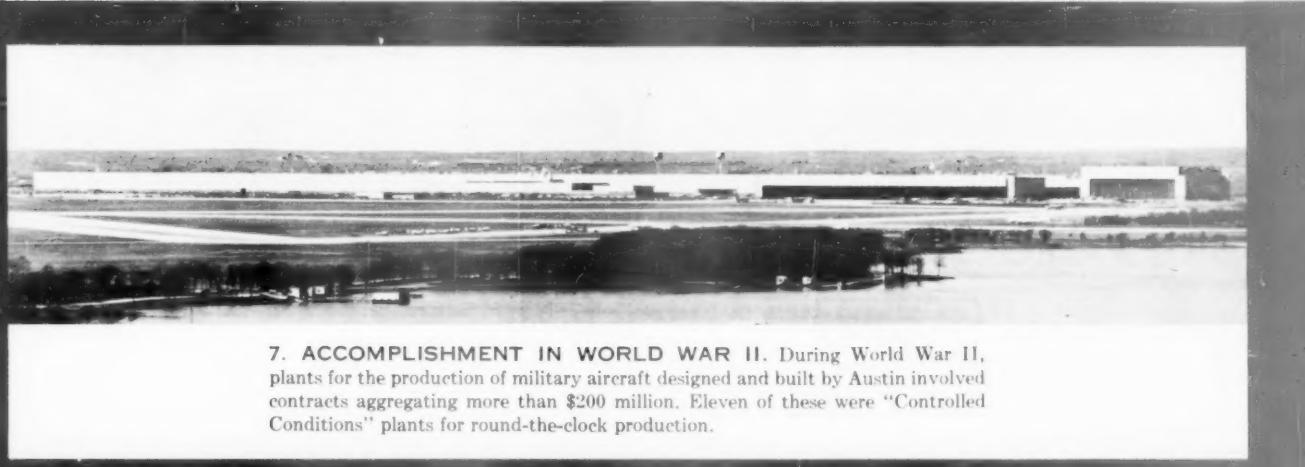
**4. THE TEST OF WAR.** World War I brought demands for fast action. Curtiss Aeroplane and Motor Corp. asked Austin to design and build a plant for making airplanes and engines in Buffalo. Within 90 working days after ground breaking, 1,000,000 sq. ft. of floor space was completed and occupied.



**5. GROWTH THROUGH RESEARCH.** Austin pioneered in research involving building design and construction. An early project was testing to destruction welded vs riveted steel trusses in 1925. This led to better utilization of structural steel and Austin's pioneering in electrically welded steel construction.



**6. FORERUNNERS OF THE FUTURE.** In 1930, a revolutionary new idea . . . the "Controlled Conditions" plant where temperature, humidity, light and noise are fully controlled 24 hours a day . . . 365 days of the year . . . was introduced by Austin. The benefits for industry: improved employee morale . . . higher quality . . . increased output . . . lower costs.



**7. ACCOMPLISHMENT IN WORLD WAR II.** During World War II, plants for the production of military aircraft designed and built by Austin involved contracts aggregating more than \$200 million. Eleven of these were "Controlled Conditions" plants for round-the-clock production.



**8. FIRST MAGNESIUM FROM SEA WATER PLANT.** A scientific break-through of World War II developed by The Dow Chemical Company. The first plant in the world to employ this new process was located on the Texas Gulf Coast as a result of an Austin Plant Location Study. This plant and three other major plants utilizing the Dow process were engineered and built by Austin.

AUSTIN AT

80



**9. DISTINCTIVE APPEAR-  
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Just as better appearance may enhance a better product, so may good appearance reflect a more efficient building or plant facility . . . it all depends on basic design. To provide distinctive appearance *at no premium in building costs* is Austin's practical philosophy of good design.



**10. PLANTS DESIGNED  
FOR LOW COST OF  
OPERATION.**

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# In Labor

## Laundry Workers Quits Insurance, Sells Business to Hoffa Associate

The Laundry, Dry Cleaning & Dye House Workers' International Union seemingly got out of the insurance business this week. The union announced the sale of California Life Insurance Co.—owned 92½% by the union's employer-employee administered social security department—to Bernard N. Nemerov, a Minneapolis building contractor and investor, for \$1.2-million.

California Life insures some 56,000 laundry and dry cleaning workers under the union's health and welfare program. The union was expelled from AFL-CIO a year ago on charges of corruption. Its involvement in the insurance business was criticized by federation leaders.

Last February, Allen Dorfman, a close associate of Teamsters boss James R. Hoffa, described Nemerov as one of his partners in Sheridan Lien, an Illinois company formed to purchase delinquent tax certificates. The McClellan committee alleged that Hoffa helped Dorfman to land the multimillion-dollar insurance premiums business of the Teamsters Central Conference.

Ralph T. Fagan, Laundry Workers' president, said that Nemerov's bid was accepted "as the highest and best qualified." Fagan also said that the insurance company was a source of the union's troubles.

## High Court Opens Way for Appeals Of NLRB Findings on Bargaining Units

A Supreme Court ruling may open up a whole new area of labor-management litigation. The court held this week that National Labor Relations Board decrees setting up collective bargaining units may be appealed to the federal courts when the NLRB takes an "unlawful action . . . which inflicts an injury."

In the specific case, the NLRB refused to authorize a vote solely among professional employees of Westinghouse Electric Corp., and included non-professionals in the unit. An Engineers & Scientists of America affiliate challenged the NLRB action.

Dissenting Justice Brennan says: "I daresay the ingenuity of counsel will, after today's decision, be entirely adequate to the task of finding some alleged 'unlawful action' . . . sufficient to get a foot in the district court door . . ."

## Canadian Labor Congress Rejects Funds Plea of Destitute Strikers

Claude Jodoin, president of the Canadian Labor Congress, this week informed destitute nickel strikers in Ontario that unions should not call strikes they cannot afford.

The strikers are members of the International Union of Mine, Mill & Smelter Workers, ousted from the old CIO as Communist-dominated. The families of many of the 14,000 strikers—out since Sept. 24 against the International Nickel Co. of Canada—are hungry, cold, and improperly clothed. Dissension among the striking workers, once the highest paid workers in any large industry in Canada, is reportedly high. Large numbers of women called to a recent strike meeting walked out, charging that the meeting had been rigged by wives of union officials to continue the strike.

The mine-mill union has claimed inability to support strikers with strike benefits and has appealed to the CLC for cash support. Jodoin said the CLC could not send money but did extend its sympathy to the families suffering in Sudbury, Ontario, as a result of the strike.

## Meany Threatens Third Party; Reuther Softpedals the Idea

AFL-CIO Pres. George Meany and Industrial Union Dept. chief Walter P. Reuther this week apparently reversed their traditional roles, with the former threatening a third political party and the latter condemning the very idea of a labor party.

"Labor," Meany declared at the merger convention of the New York State AFL-CIO, "is going to be just as political as it has to be to win its objectives . . . I have always said we do not want our own political party, but if we have to do that to lick the people who want to drag us back to the past, we will start our own political party and do a good job of it."

Reuther, who has been associated with labor party aspirations, told newsmen that the unions are "committed to work within the framework of the two-party system. A labor party is wrong because it would further fragmentize our society."

The two labor leaders, however, weren't so far apart as it might seem. The Meany gambit was a timely reminder to the Democratic Party that labor wants to see it hew to a liberal line. The third party threat gives some backing to the contention of liberal Democrats that the election returns were a mandate for New Dealism. The Reuther statement toned down the labor party threat and put it in perspective.

## TWUA Demands Federal Textile Agency

The Textile Workers Union of America is pushing its plan for the creation of a permanent Federal Textile Development Agency "to rebuild and stabilize the textile industry." The proposal, first offered before a special Senate Interstate & Foreign Commerce Subcommittee, by TWUA Pres. William Pollock, is getting a stronger shove now as a result of the November election returns.

The textile industry needs government help, the union argues, and the agency the union proposes would sponsor a continuing study of economic and technical developments in the industry, establish fabric library and design centers, publish literature to spur textile consumption, and administer special legislation aimed at helping the industry and its workers.

# Glamor of Cheap Power Fades

● In the Pacific Northwest, the long-standing 2-mill rate for federal hydro power will probably have to be raised.

● There's now a power surplus instead of a shortage, but backers of private and public power are still at it.

● Though new projects are less urgent, the public power bloc will have new strength in the 86th Congress.

Rival advocates of private and public power in the Pacific Northwest held dress rehearsal last week for what may be one of the bitterest battles in years over hydroelectric projects. The decisive fighting will come in the next session of Congress.

In hearings conducted in four states by Sen. Richard L. Neuberger (D-Ore.), the characters were in familiar roles, but the settings were different:

Instead of the power shortage that prevailed until a few years ago, the Northwest now has a power surplus. A widespread program on non-federal construction assures an ample future supply. So there's less urgency behind projects under consideration.

With a more liberal Congress in prospect, it's more likely than before that a few new federal power projects will be authorized. At the same time, there are sure to be fights between public and private power backers and also among federal agencies themselves.

The Bonneville Power Administration, which markets the power from 12 federal projects, will probably have to raise its rates from the famed 2 mills per kWh. for the first time in 20 years. BPA's expenses have outstripped revenues, which have fallen because of the recession's impact on the aluminum industry and because of a mild winter last year that reduced power demand. In addition, the Northwest's rate of growth has slowed somewhat, and utilities and industries are contracting for more power directly from other public agencies, such as local public utility districts (PUDs).

## I. A New Authority

In last week's hearings, Sen. Neuberger's purpose was to get local views on two measures:

- A Columbia River Development Corp. to absorb Bonneville and all other federal dams, run them, and plan future projects.
- A revision of BPA's preference clause—which gives priority for power

to public agencies over industry and private utilities.

During early New Deal days, comprehensive river valley authorities were proposed for a number of U.S. rivers, including the Columbia. But in the Columbia Basin, private utilities and some irrigation interests got together to block what they called the federal "monster." Neuberger's proposed corporation, in many respects, is the old authority scheme in more modern guise. He tried in vain to push a similar bill through the 85th Congress, but the new version is bound to find a warmer welcome in the 86th.

The corporation would differ from TVA in that its activities would be limited to power. In its first five years, financing would be by sale of revenue bonds to the Treasury. After that, with Congressional approval, it might go to the open market for money.

• Pros and Antis—At the hearings, public power advocates stressed the advantages of a self-financing corporation that could sell bonds to provide for the region's power needs without depending on an annual appropriation.

Opponents retorted that now that all the dams the Northwest needs are either built, building, or licensed, the corporation is unnecessary. They also argued that the corporation's board would hold too much power over the area's economy, could tamper with water rights, might be able to condemn private utilities' plants.

To specific objections, Neuberger replied that the bill was not in final form and would be fixed.

• Oregon's Share—For the sake of his home state, Neuberger also wants to broaden the BPA preference clause. As it stands, Washington State gets much more Bonneville power than Oregon in times of tight supply, because Washington has many more public power agencies. Neuberger's plan to change this has the support of Oregon's Republican Gov.-elect Mark Hatfield and the private utilities. But he has to tread

lightly, for fear he might antagonize Washington's senators and split the public power group.

## II. Farewell to Partnership

From the point of view of the public power senators, this is no time to be divided. November's election results heighten the chances for new federal projects. But, at the same time, there's one strike against them already—the lack of any urgent need for more power.

Whatever Congress does, though, one thing is sure in Washington: Eisenhower's power "partnership," in its strict sense, is dead. In his first State of the Union Message, the President called for "a partnership of the states and local communities, private citizens, and the federal government." But not one true example has materialized. Closest to Eisenhower's definition was a multi-purpose project on California's Trinity River, in which Pacific Gas & Electric would have been allowed to buy falling water. But the last Congress blocked this sale; a new one is sure to insist on federal power.

• More Local Effort—Of course, if "partnership" is interpreted loosely, it has not been a failure at all. With less federal activity in going after hydro sites, the way has been open for local public agencies—both PUDs and cities—and for private utilities. In 1945, federal dams accounted for 47% of the area's power capacity. By now, as a result of federal building sprees, the government share is 66%. But by 1965, it will be back down to 52% because of the recent spurt of local public and private projects.

In the meantime, total generating capacity of the region has soared. Today's hydro capacity is around 9-million kw., more than double the 1950 figure. By 1968, five federal projects under construction—the largest among them John Day, the last major dam on the lower Columbia—will contribute an extra 2.5-million kw. and 16 non-federal projects will yield 3.4-million kw. more.

• Firm Supply—Together with other non-federal projects nearby from which power will be imported, these facilities will be adequate to handle Northwest power needs through fiscal 1966. Other projects now under consideration are bound to be ample for the following years, according to BPA.

Administrator William Pearl says BPA for the first time can assure firm power through 1963 to private utilities—which have the lowest priority under the federal preference clause. At the

same time, the private utilities, PUDs, and other local agencies are asking for less power from Bonneville, because they foresee more of their own capacity and slower industrial growth.

• **Rate Change**—With the Bonneville agency's operating costs continually rising, it's probable that the 2-mill rate will be abandoned next Dec. 20, the next date for possible adjustment of rates. "It appears inevitable," said Pearl last week, "that during the next 10-year period the cost of power at wholesale and retail levels will increase."

Outsiders speculate that the new minimum would be roughly 3 mills. That would be a 50% increase, and it would diminish the Northwest's advantage as a "cheap power" area for manufacturing for the national market. But BPA's rates would still be lower than the cost of power anywhere else, including the TVA region. And even 2-mills had not offset freight costs for manufacturers that could use steam power in the Ohio Valley for 3.5 mills.

### III. Rival Proposals

Once bills are introduced in both houses of Congress, the battle over Northwest power will really start raging. One hint of some of the issues came last week when the Army Engineers released proposals for 13 additional projects, costing \$1.9-billion.

The key proposal was for a high Mountain Sheep Dam to generate 600,000 kw. on the Snake River, the Columbia's principal tributary. This would prevent building Nez Perce Dam, Interior Secy. Fred Seaton's pet, a short distance downstream. And private utilities will probably object, too, because four of them, linked in the Pacific Northwest Power Co., applied for the same Mountain Sheep site.

The Army picked Mountain Sheep because it's upstream from the confluence of the Salmon with the Snake; the Salmon carries 29% of the entire Columbia system's fish run. Nez Perce is below the mouth of the Salmon; the Secretary would build the dam only after the fish problem has been solved.

• **Still Hells Canyon**—There should also be a fight in Congress over a stretch of the Snake farther upstream—Hells Canyon, where Idaho Power Co. is building three low dams. Sen. Wayne Morse (D-Ore.) says he will introduce a bill to build a high dam, flood out the low ones—and compensate Idaho Power for its loss.

In all the shouting, the PUDs stand perhaps the best chance to make a favorable impression in Washington. The fact that they are public agencies but finance themselves on the open market should appeal to the Democratic Congress. **END**

# Rockwell Report

by W. F. ROCKWELL, JR.  
President

Rockwell Manufacturing Company



THE civic responsibilities—or lack of them—of businessmen are being discussed increasingly in business publications and in various association groups. Most of this discussion is apparently concerned with the pros and cons of participation in politics by top management men, and this is good, of course. But there is another aspect which also seems extremely important. That is the positive encouragement of political or civic activity on the part of middle management men—in fact, of people at every level of responsibility.

Some companies may not be in favor of this on the grounds that such outside activities are almost bound to take some company time. This is true, and it is a consideration—but there are also important compensating advantages to the company, as well as the obvious benefits to the community.

It follows naturally that when you make a community a better place in which to live, you have happier employees, better workers, more efficiency, less turnover. Participation in community affairs by company people creates a better local feeling about the company as a good place to work, to sell, or to buy. These are pretty direct company benefits, but there are indirect advantages, too, in terms of executive development.

The company man who participates in community affairs gets very practical experience in organizing and administering programs, in human relations, in the give-and-take of committee work. All of this can't help but give him added stature and make him a more effective man for the company.

Recently we made an informal survey of the degree to which the general managers of our twenty-two plants are active in the affairs of their communities. All of these men are actively serving on committees or as officers of a total of 86 civic organizations.

We feel that this is good for everyone involved—the communities, the men, and the company.

\* \* \*

Good appearance is seldom stressed as a major attribute of gas meters, yet the lack of it can be an irritating factor both to the utilities who install and maintain meters, and to the people on whose property they are installed. In order to provide the best possible protection for our modern, streamlined aluminum gas meters and at the same time maintain their good appearance, we continually test a variety of protective coatings under all types of weather conditions.

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One problem of taxicab operators is how to charge enough for "out-of-city" trips (which usually mean coming back empty) without raising in-city rates. Our new Rockwell-Ohmer "Suburban" Taximeter solves this problem by making available two rate settings, one for normal in-city business and one for long out-of-city trips. In the selected areas where the new "Suburban" Taximeter has been under test, acceptance has been excellent.

\* \* \*

It is brought home all too frequently, to most people in business, that the unthinking indifference of non-selling personnel can destroy in a moment the good will built up through months or years of good advertising and good personal selling. That's why it's a pleasure to quote an excerpt from a letter written to a staff assistant in the Power Tool Division by a user of our Walker-Turner drill presses: "I'll add that it is seldom that a man gets the courteous attention and reply from a manufacturer that you extended to me."

One of a series of informal reports on the operations and growth of the

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for its customers, suppliers, employees, stockholders and other friends



# In Management

## Walworth Co. Director Announces He Will Lead Proxy Fight

Walworth Co. four years ago waged a campaign to make itself invulnerable to proxy fights brought by outsider raiders (BW-Mar. 1 '55, p186). Now it faces a proxy fight from within. Marvin H. Grove—Walworth director, large stockholder, and president of Grove Valve & Regulator Co., a Walworth subsidiary—has filed with the Securities & Exchange Commission a form 14B, a declaration of intent to solicit proxies.

Grove and his family own 196,900 shares of Walworth (about 8.5%) obtained when Walworth took over Grove Valve in late 1956. As of now, he has no allies in his fight, a spokesman says. (Grove himself left for Europe immediately after filing his 14B). The annual meeting is set for Mar. 25.

Walworth, a maker of valves and piping, expects a consolidated net profit of about \$1-million this year, down from more than \$4-million last year and 1956.

## Waste King Expects Cribben & Sexton To Say "Yes" to Merger Proposal

Time was when the "operating efficiencies" resulting from mergers were rated by lower production costs, or savings in purchasing or distribution. Now, more and more, the efficiencies come from pooling brain power, research facilities, and technical knowhow.

This was a principal motivation for the offer last week of Waste King Corp., Los Angeles maker of commercial garbage disposal equipment and dish washers, for majority stock interest in Cribben & Sexton Co., Chicago manufacturer of kitchen ranges and space heaters. Combined sales of the two companies is estimated at \$35-million this year.

The Waste King offer is effective only if 165,000 of the 188,000 outstanding shares of C&S are offered for sale; but since the C&S management represents most of that company's stock and "completely approves" of the plan, there is little doubt that the acquisition will go through. C&S holders will get one share of Waste King and \$12.50 cash for each share of Cribben & Sexton.

## Many Offices Close on Dec. 26, Fewer on Day After New Year's

Most office workers will get an extra day off next week. Although few companies list Dec. 26 as a regular holiday, it is increasingly observed as an extra holiday when it falls on a Friday.

In New York City, where companies are traditionally generous with fringe benefits for office workers, the Office Executives Assn. of New York, Inc., reports that

55% of the companies will close down all day on the 26th, and another 12% either will be closed a half-day or will operate on half staffs; almost 10% will be closed all or part of the day on the 24th.

In Cleveland, perhaps more typical of the rest of the country, 37% of the companies surveyed by the Associated Industries of Cleveland will give office workers the 26th as a holiday, although about 10% will substitute it for another regular holiday. Almost 20% will be closed part of Wednesday.

Fewer companies will observe Jan. 2. In New York, 16% of the companies will close all day, another 12% will work half days or with half staffs; in Cleveland, 16% of the companies will observe the day as a holiday.

In both cities, the figures were collected early in December and are probably low, since many companies hadn't yet decided holiday policy.

## Openings for 1959 College Grads

### Up 17%; Salaries Settle Down

The 1959 graduate should have an easier time finding a job than his 1958 counterpart, but fancy year-to-year jumps in beginning salaries may be a thing of the past.

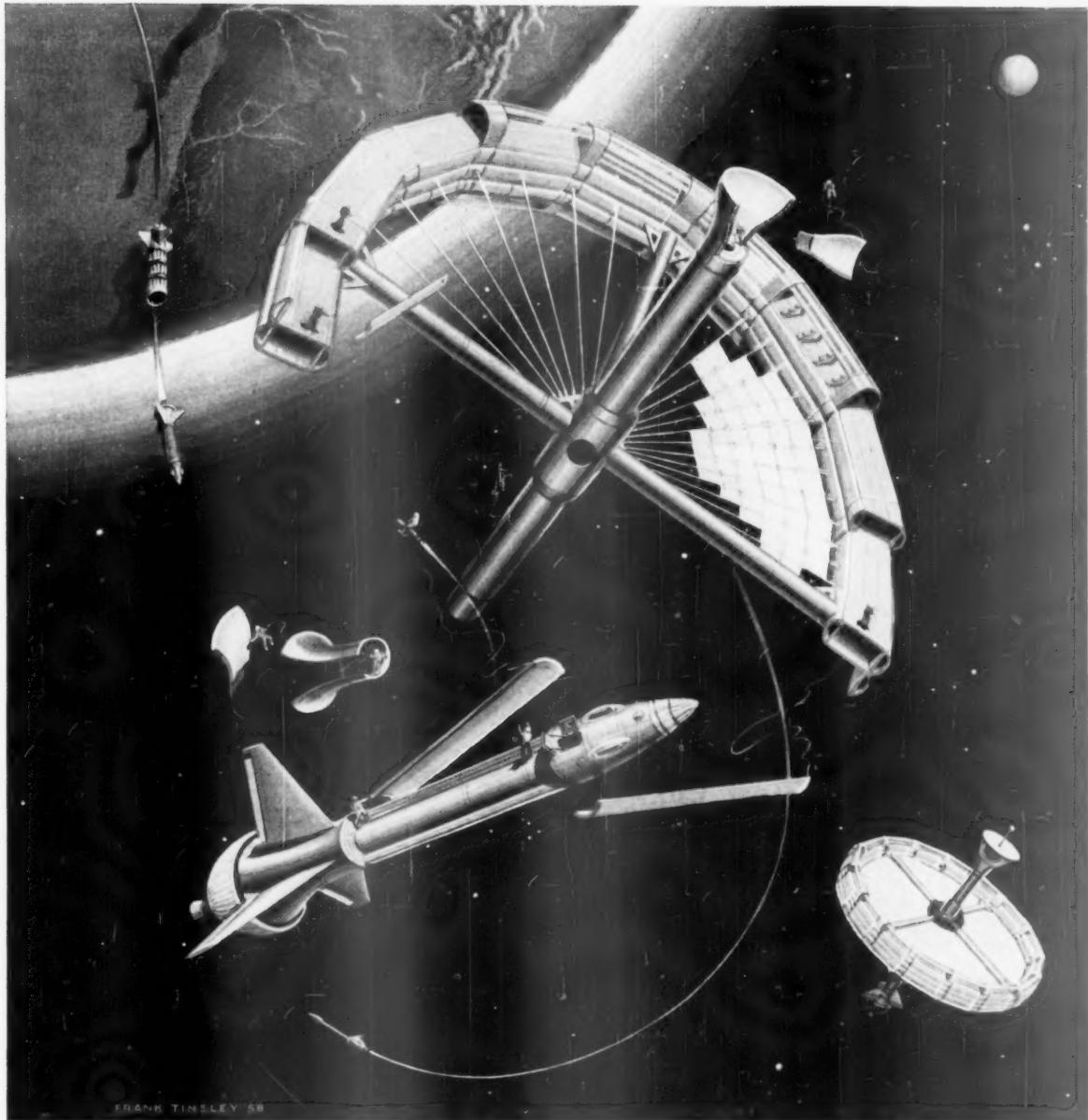
Frank S. Endicott of Northwestern University, in his annual survey of company hiring plans, bears out earlier reports that more companies will be looking for more graduates next year (BW-Oct. 4 '58, p126). The 200-odd companies answering Endicott's questionnaire expect an especially sharp rise in their demand for salesmen; production management majors; marketing personnel; and industrial, electrical, and civil engineers. They see an over-all rise in job vacancies of 17%.

But salaries are no longer spiraling; average beginning pay this year will be just 2% above last year. Between 1951 and 1957, salaries increased rapidly; the rises for engineers, for example, averaged out to 11% a year. Even last year, with fewer vacancies to fill, starting salaries rose 4% over 1957 because of the competition for top men.

## Management Briefs

Electric Auto-Lite Co. has just announced that it now owns more than 10% of Crane Co. The Chicago plumbing supply house put Auto-Lite Chmn. Gurdon Wattles on its board earlier this year in a switch that also put Crane Pres. N. E. Stearns on Auto-Lite's board. Wattles also is chairman of Mergenthaler Linotype Co., which owns more than 10% of Auto-Lite. Three investment companies controlled by Wattles collectively own 25% of Mergenthaler.

Missouri Pacific RR last week announced it had acquired enough common stock of the Texas & Pacific Ry. to account for 80% of T&P's outstanding voting stock, and to allow the two companies to file a joint tax return. (Mo-Pac owns all of T&P's preferred, with its voting rights.) The two companies insist, however, they have no intention of merging. At the same time, W. G. Vollmer, 73, announced his retirement as T&P president. Company general counsel J. T. Suggs, 54, will take over the presidency Jan. 1.



STEPS IN THE RACE TO OUTER SPACE

## *Assembling a station in space*

This imaginative but technically accurate illustration shows a permanent satellite (center) being constructed in orbit around the earth. It generates its own heat and electricity from solar rays. Basic vegetation (such as algae) for oxygen as well as protein-rich foods are grown in hydroponic tubes in upper level "greenhouses."

New vistas in astronomy will be opened up by such a space station, because of perfect conditions for photography and spectroscopy. It will also provide unique conditions for ad-

vanced research in physics, electronics, weather prediction, etc. Three such stations, properly placed, could blanket the entire world with nearly perfect TV transmission.

Atomic rocket vehicles with prefabricated skin layers (lower center) provide building materials for the station, then return (bottom) to earth. Similar craft will service an established station (lower right), docking by electromagnetic pull in lower section of station's axis.

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...the paving material with no "moving parts" to cause hidden wear!**



Diagram shows how flexible pavement parts must move. This grinds off corners of aggregate, causes deep wear. Result: low spots, subgrade overloading, failure.

**\$7,181,898, based on first-cost estimates, was saved by choosing concrete. And now maintenance costs are running about half the original estimates!**

More proof that concrete does the job—and does it for less money. Last year, Ohio's concrete Turnpike handled some 11½ million vehicles—thousands of them with loads of 70,000 to 90,000 pounds—saved money doing it.

There's a reason. Concrete is

built to *bear* like a beam, not to *flex*. For flexibility means movement . . . movement creates friction . . . friction brings wear that causes a pavement to wear out *inside* as well as on the surface. That can't happen with concrete.

Stability helps give today's concrete its 50-years-plus life expectancy . . . its lasting, flat smoothness. On new Interstate Highways, on all heavy-duty roads, concrete means true economy for taxpayers, both today and in the future.

Diagram shows stability of concrete. No internal movement of aggregate and bond. One reason only concrete's load-bearing strength can be computed *mathematically*.

**PORTLAND CEMENT ASSOCIATION**

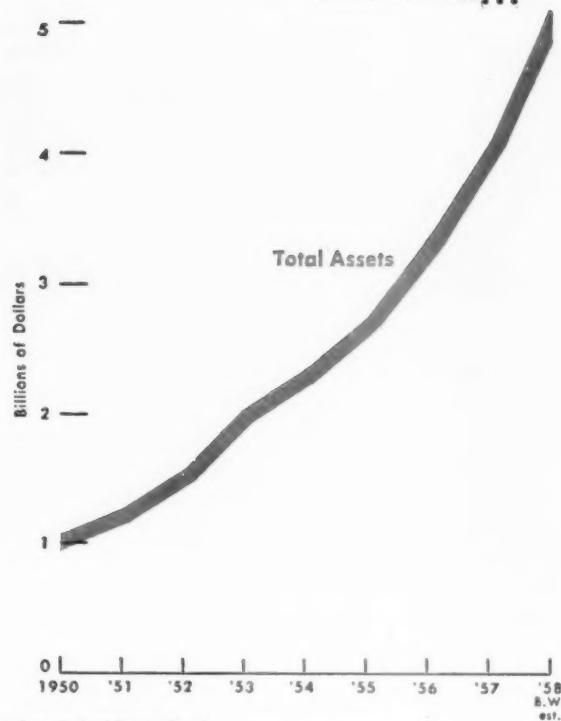
*A national organization to improve and extend the uses of concrete*

**NEW-TYPE  
Concrete**

## FINANCE

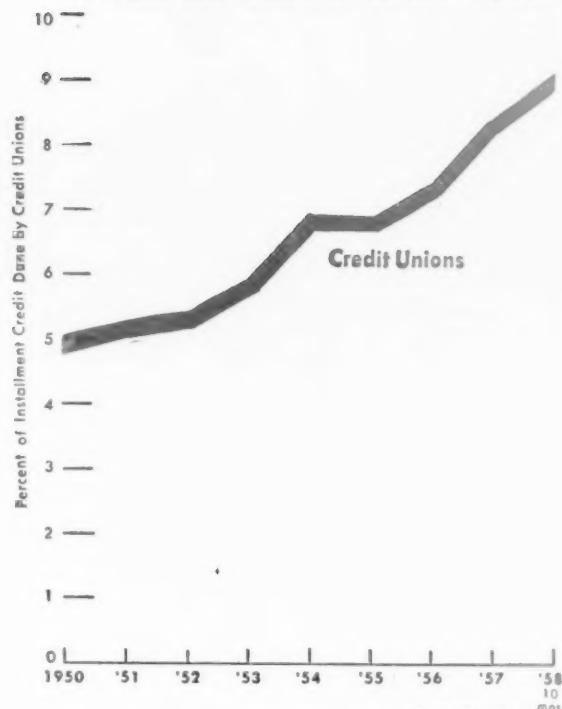
### CREDIT UNIONS:

Assets zoom...



Data: Federal Reserve Board.

... and their share of business rises



© BUSINESS WEEK

## Banks Set Up a Rival Plan

Credit unions this year continued their long steady expansion as a factor in consumer installment credit (chart). At the turn of the year, they will have grown by more than 800 unions since last yearend, by half a million members, by \$1-billion in assets, and by more than \$300-million in loans outstanding.

Around 10.6-million plant and office workers now belong to 19,255 credit unions, which have \$5.1-billion in assets and more than \$3.3-billion in outstanding loans.

This year, for the first time, however, credit unions are getting serious competition from another service that caters to plants and office workers. A dozen banks are now giving this special attention to large employee groups.

• **Bank Business**—Since July, for example, San Francisco's giant Bank of America has been offering a plan under which employees can save or borrow through payroll deductions. This "Employee Loan & Deposit Plan" has been installed at more than 1,650 places of employment in California, with around 500,000 employees.

Competition with credit unions so far is in the field of potential growth.

None of the companies that has signed up for the banks' service has had a credit union operating. The banks give no indication of preparing to meet the credit unions head-on—they have, in fact, been careful to confine their soliciting to employers who have no credit facilities at all. They describe their service as long-needed expansion into a new field.

"The \$5-billion that workers have put into credit unions," says a Chicago bank vice-president, "shows once more that banks haven't gone far enough in extending credit to those who need it." His bank now offers the credit union-type service.

• **What the Banks Do**—As with credit unions, the new banking service requires the cooperation of the employer. In most cases, a personnel man distributes application blanks to employees, helps them fill out the forms, and verifies the applicants' employment and credit status. The company also takes care of payroll deductions for the employees' accounts.

The banks offer savings accounts, built up by payroll deductions, and offer loans at charges that compare favorably with credit union rates—generally a

shade lower than rates paid by regular bank customers.

The banks say they have an advantage in more funds available for lending—at least the newer credit unions are often short of lendable funds. The banks also offer a variety of services (such as checking accounts) and loans (such as those on real estate) that credit unions can't offer. Moreover, employee savings are insured when deposited in banks. Savings held by credit unions are not insured.

However, banks offering the new service consider loans under the same credit standards that they apply to other customers, while credit unions traditionally lend to company employees under less strict conditions.

• **Credit Union Critics**—As the credit unions have grown into a major factor in savings and the loan business, bankers have hardened their attitude toward them (BW—Apr. 6 '57, p84).

Credit unions sprung up 50 years ago to fill a need that no one but the loan shark was filling. Cities were growing, and people were coming to them with little money and few household goods. These newcomers could not qualify for bank credit, they had few pawnable



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belongings, and charities could help only the most desperate cases. So the loan sharks grew fat on tiding these people over their emergencies in getting settled.

Today, there are plenty of other sources for small loans, and the laws against usury have hit loan-sharking. Bankers and other critics of the credit unions say the unions no longer need the special help they have been getting from government, business, and their own members.

As non-profit groups, credit unions are exempt from federal and state income and business taxes; government only lightly supervises their operations. Companies generally give credit unions free office space, help in bookkeeping, and time for credit union officers—usually unpaid—to carry on union business during working hours.

Spokesmen for companies that are participating in the banks' plan say the new system offers most of the advantages of credit unions, without many of the features that have drawn criticism in the past.

• **Gains for Banks**—From the banks' viewpoint, this business offers attractions beyond the mere volume of deposits and loans.

Banks say the accounts can be handled at less cost than regular accounts, because so much of the paperwork is done at the employers' offices. Then, too, employees who sign up for the plan are good prospects for other bank services, and employers are more likely to give the bank their company business.

Banks are careful to explain that the new plan is not a form of branch banking. Transactions don't take place except at the bank; the employer merely forwards the deposits and loan applications, incurring no responsibility as agent for the bank.

• **Credit Union Strength**—The credit unions are watching the growth of the bank plan, particularly since it was spurred by the Bank of America's entry. But they say they aren't worrying. They point out that generally they offer members a higher rate of return and they grant many loans the banks wouldn't touch.

A study by a big commercial bank turns up other reasons why workers may prefer credit unions: encouragement by labor unions, the status that credit unions' officers feel their position gives them, and the feeling of workers that their interests are best represented by their own fellow employees.

Nevertheless, in-plant banking may be gaining prestige. A Cleveland company that subscribes to in-plant banking service found during negotiations that union representatives insisted the service be defined as a fringe benefit and included in the contract. **END**

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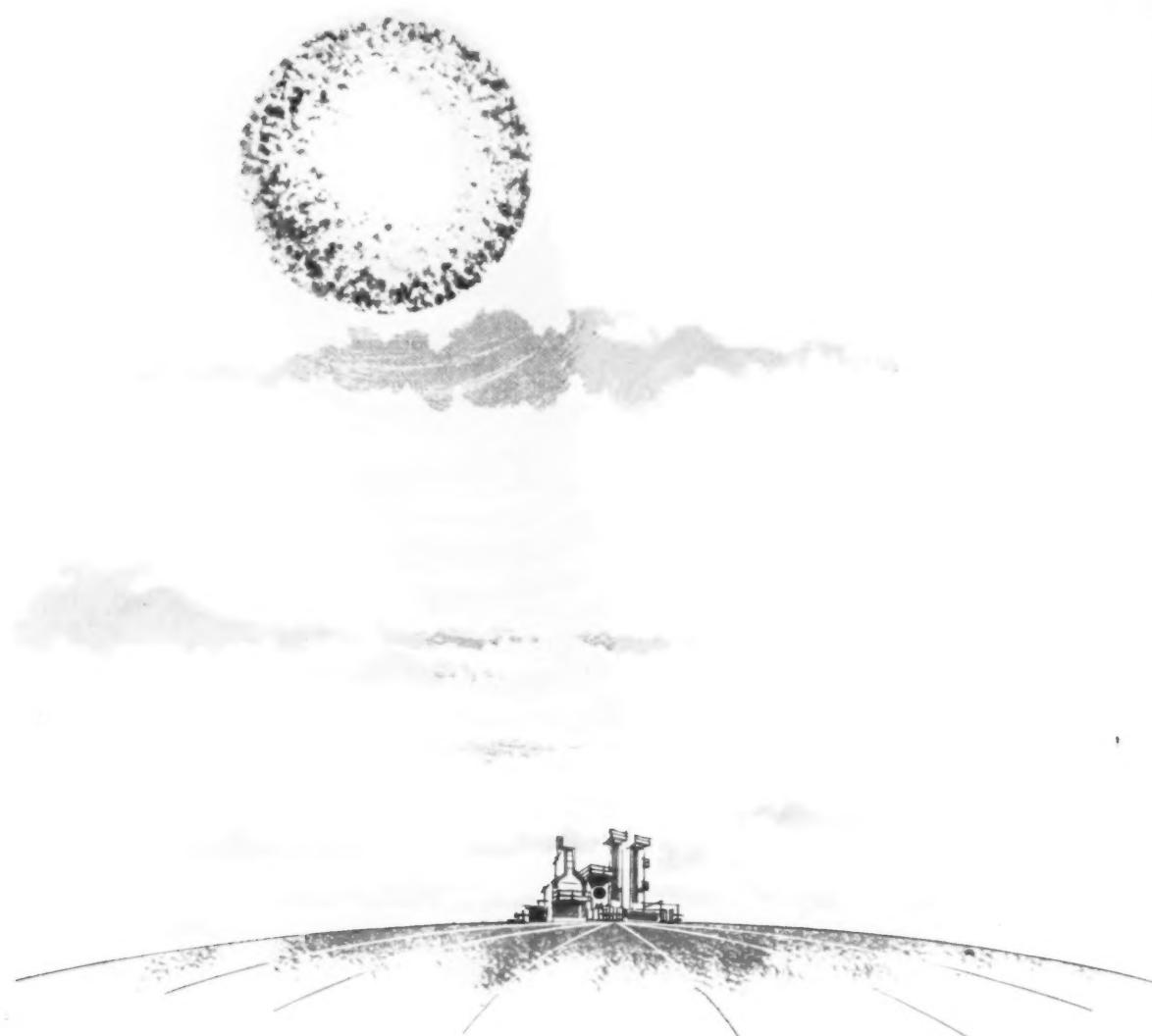


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# INTERNATIONAL OUTLOOK

BUSINESS WEEK  
DEC. 20, 1958



**The West is standing firm against Moscow's campaign to force it out of West Berlin.** NATO ministers, meeting in Paris this week, vigorously backed Secy. of State Dulles' tough policy of sticking by Berlin at all costs—even at the risk of war.

But that's no cause for optimism. Soviet Premier Khrushchev is almost sure to keep hammering away at his theme of making Berlin a "free city." Moscow may even cut short the six-month waiting period for handing over its control of East Berlin to the Communist East Germans.

Khrushchev also will continue to probe for weaknesses in the Western alliance in the months ahead.

**NATO powers agreed, in principle, to reopen negotiations with Moscow on reunification of East and West Germany.** But that's mainly a sop to European neutralist opinion.

Neither the West nor Moscow shows any signs of backing away from their long-standing demands on German unification. We insist on free elections before unification. The Soviets, on the other hand, clearly have no intention of loosening their grip on East Germany.

In any case, Dulles is convinced that Khrushchev won't start a military clash over Berlin. In fact, Washington thinks he may even give ground. That in itself would help strengthen the West's whole position in Europe.

—•—

**Though unified on Berlin, NATO powers are haggling over other issues.**

**Premier De Gaulle still wants to give France a bigger voice in NATO decisions by setting up a three-power (U. S., Britain, France) "directorate."** But Dulles isn't very sympathetic to that idea.

**De Gaulle also resents the close working relationship between the U. S. and Britain in coordinating their respective global policies.** He wants an equal place for France in Anglo-American policymaking, in exchange for submitting French African policies to review by the Big Three.

**Most heated squabble among the Western powers is over European economic integration.** The six-nation Common Market will begin liberalizing trade among its members on Jan. 1. That, in effect, will mean discrimination against Britain and other proponents of a broad Free Trade Area.

**Britain and France, leaders of the two opposing camps, bitterly fought at this week's meeting of the Organization for European Economic Cooperation (OEEC).** But both sides postponed a showdown until the next meeting, which is scheduled for Jan. 15. Most observers doubt that the feud will bring on a full-scale trade war.

—•—

**Mao Tse-tung is stepping down as Red China's chief of state.** But as head of the Chinese Communist Party, he'll still be the No.1 boss in Peking. Marshal Chu Teh, his probable replacement as chief of state, will be only a figurehead.

**The shift in top leadership stems from China's too-rapid economic development this year.** Peking has speeded up the second Five-Year Plan. In a headlong rush, it has forced the mass of Chinese into all-purpose work "communes."

# INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

DEC. 20, 1958

**Mao now will spend more energy on making his economic program a success**, according to both Washington and Far East observers. That means, in part, getting Communist Party members down the line to give more willing support to his communes.

**Some observers see more in the Mao move than that.** Khrushchev has called the communes a "reactionary" program. Moscow clearly dislikes the leading role that Peking is trying to take in the Communist bloc. In this view, Mao needs to devote more time to resolving differences with Moscow.

— • —

**A new explosion is building up in the Middle East.** And Iraq looks like the center of the storm.

**Moscow has been gunning for a Communist takeover** there ever since the downfall of the old, pro-West regime in Baghdad last summer. The Iraqi Communist Party is now the strongest political force. Its members hold key government positions, such as chief of police, and practically run the press and radio. And Communists this week led violent demonstrations against U.S. Asst. Secy. of State William Rountree during his fact-finding visit.

**Mystery man in Baghdad is Premier Kassem.** He has enough military support to crush the Communists—if he chooses to. But some Western observers have virtually written him off as a Communist sympathizer who may help, rather than hinder, a Moscow-directed coup.

**Nasser, at last, is having second thoughts about Moscow's sweet words and economic aid in behalf of Arab unity.**

**Iraqi Communists are squelching pro-Nasser elements.** Communists in Syria (part of Nasser's United Arab Republic) are downplaying Cairo's leadership. **All the Communists in the Middle East are pushing the idea of an Arab federation**, not centrally directed from Cairo and liable—at a later date—to come under Moscow's indirect control.

**Washington thinks the time is ripe for luring Nasser back into the Western camp.** It's not clear what Nasser now wants. Washington, too, isn't sure of how far or fast to go in backing him up. But there's renewed hope of finding some common ground between the West and Arab nationalism.

— • —

**The State Dept. has lost one round in its fight for a bigger foreign economic aid program.** The Budget Bureau has pared State's proposed appropriation for the Development Loan Fund from \$1-billion to \$700-million. But State hopes that a supplemental appropriation early in the next session of Congress will make up for part of this loss.

— • —

**Russia is selling gold again on a fairly large scale** in the London market. Since early November—say London dealers—the Soviets have put around \$63-million worth of bullion on the market, much of it for future delivery.

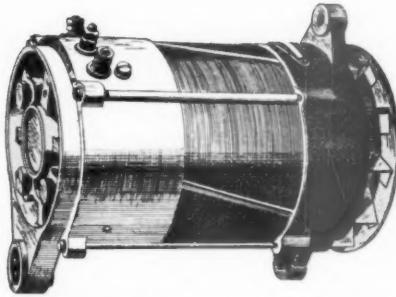
**Main purpose is to get sterling** to pay for Soviet and East European purchases of such commodities as rubber and wool. But London observers note that Moscow's sterling deficit is much lower this year than last. That's because of growing export earnings and good harvests at home.



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## NEW DELCO-REMY SELF-RECTIFYING A.C. GENERATOR

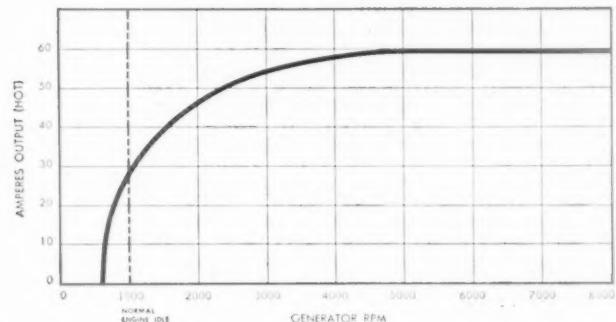
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overhauls, this generator mounts interchangeably with most standard generators, eliminates commutation problems and is lifetime lubricated. Six specially developed silicon rectifiers are built in, reducing installation time and cost to a minimum.

Be sure to specify this new Delco-Remy self-rectifying a.c. generator with its companion transistor regulator (either full or transistorized model) on your new equipment.



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## Crop Duster With New Agility

The low-wing design of this crop duster provides the extra visibility these ground-hugging craft need to make tight end-of-the-row turns and to get in and out of small bumpy landing fields. The plane, built by Piper Aircraft Corp., can carry liquid or dry chemical insecticides, herbicides, and fertilizers. Its payload is 1,100 lb.—110 gal. or 20 cu. ft. of spraying material.

To take some of the risk out of crop dusting, the new plane has a number of safety devices to ease the shock of a bad landing. These include cockpit crash pads and a turnover bar; wire cutters on the landing gear; and a deflector cable to keep telephone wires from hooking the tail. A Lycoming 150-hp. engine powers the plane, which is expected to sell for about \$8,500.



## Hot-Dog Look in Tank Cars

This king-size railroad tank car is the newest way to carry liquids. Built by the Union Tank Car Co., the car is 58 ft. long, 20 ft. longer than a standard car. And its capacity is 20,000 gal., twice that of a standard car. Sun Oil Co., which is leasing some of the new cars to haul lubricating oils and petrochemicals from its Marcus Hook (Pa.) refinery to the Midwest, expects

them to halve rail transportation costs.

In the new cars, the structural support for the tank is built right into the tank shell, so tank ends can be mounted directly onto the railroad trucks. This eliminates the underframe—about 8% to 12% of the total weight. Because the loading dome also has been eliminated, Union Tank has dubbed this tank car design the Hot-Dog look. **END**



## Fastest way to land more sales

**How Emery  
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# mainspring of electronics

**Electronics manufacturing a \$150 million business, three times the 1955 size...much activity in missiles and defense, civilian volume growing impressively, too...numerous sub-contracting opportunities.**

So swiftly has electronics manufacturing grown in Florida that it has more than tripled in number of plants and total employment from 1955 to 1958. Over 100 different plants throughout the State are currently doing \$150 million worth of business annually.

## "Space Capital, U.S.A."

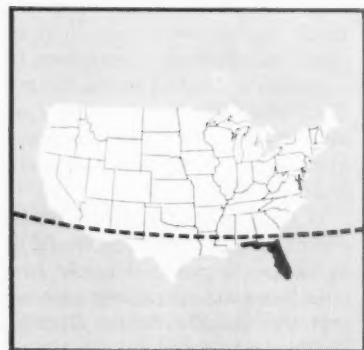
Cape Canaveral, America's famed missile test center, houses a long and distinguished list of firms doing research, including Bell Telephone Laboratories, Boeing Airplane, Chrysler, Avco, Northrop, Douglas, RCA, PAA, Convair Div. of General Dynamics.

One of many Florida manufacturers with close Canaveral ties is Radiation, Inc., Melbourne, which started with 23 employees in 1950, today has over 700 of which more than 25% are engineers. The Company recently opened a new "astrionics" department.

**"One of the major reasons for our continued success and expansion," says an official of Radiation, "has been the high caliber of employees we've been able to attract, and the low rate of labor turnover."**

## Civilian activity high

Florida can also point to much non-military electronics activity. Fast-growing Electron-Machine Corp. in Umatilla is



*Florida's northern boundary lies south of California's southern boundary...mild climate economics favor year-round industry.*

*One of the world's smallest transformers, made at Casselberry near Orlando, by Johnson Electronics, Inc., typifies Florida's unlimited horizons in space-missile manufacture.*

busy producing specialized non-contact gauges for use by steel manufacturers, paper companies, and citrus canners. Teletron Co., Fort Lauderdale, is making automatic garage door openers.



*Special training programs, provided by leading schools and state universities in cooperation with electronics firms, assure skilled technicians.*

EZ-Way Towers, Tampa, manufactures a wide variety of steel towers and actuated antenna supports for ham and commercial radio broadcasting and receiving, plus TV broadcasting and receiving; the firm has more than quadrupled in size since 1951. Communications Co., Coral Gables, produces two-way aircraft and ground radios; the firm is one of the top five U.S. mobile radio makers. Airpax Products, manufacturing tiny amplifiers and frequency detectors in its new headquarters at Fort Lauderdale, reports "very bright" business prospects. Other firms are turning out facsimile systems, quartz frequency control crystals, and tiny all-transistor communications systems for small boats and planes.

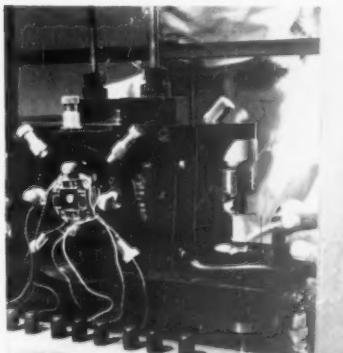
## Rich field for sub-contractors

Too much can't be said about Florida's tremendous opportunities for electronics sub-contracting, as the newly-formed Florida Association of Electronic Industry points out. Permanent Machine & Tool Co., a typical case, has a new plant in Orlando which is busy on work for firms producing missiles. Airtronics International recently bought a plant near Fort Lauderdale capable of supplying electronic and electro-mechanical components, plastics, gears, and stampings on a start-to-finish basis.

Individual success stories in electronics are many. Example: Florida Aircraft Radio & Marine, Inc., Miami, which started with \$285 worth of surplus aircraft electronic parts in 1945, today has a \$1 million export operation. Then there's Milgo Electronics, Miami, with over 100

employees today, compared with only five just three years ago.

**FURTHER FLORIDA DATA:** Other industries, too, find special advantages in Florida: Chemstrand's vast nylon plant near Pensacola, with its "indoor-outdoor" assembly line setup, typifies how industry benefits constructionwise from Florida's year-round mild climate...the State is the world's largest producer of phosphate, markets over 10,000,000 tons yearly...nearly 650,000,000 board feet of lumber are logged annually...1204 new industrial plants were established in 1956 and 1957 alone...Miami International Airport is the world's largest base for the maintenance and overhaul of commercial aircraft...Florida annually produces more than 70,000,000 lbs. of commercial food fish.



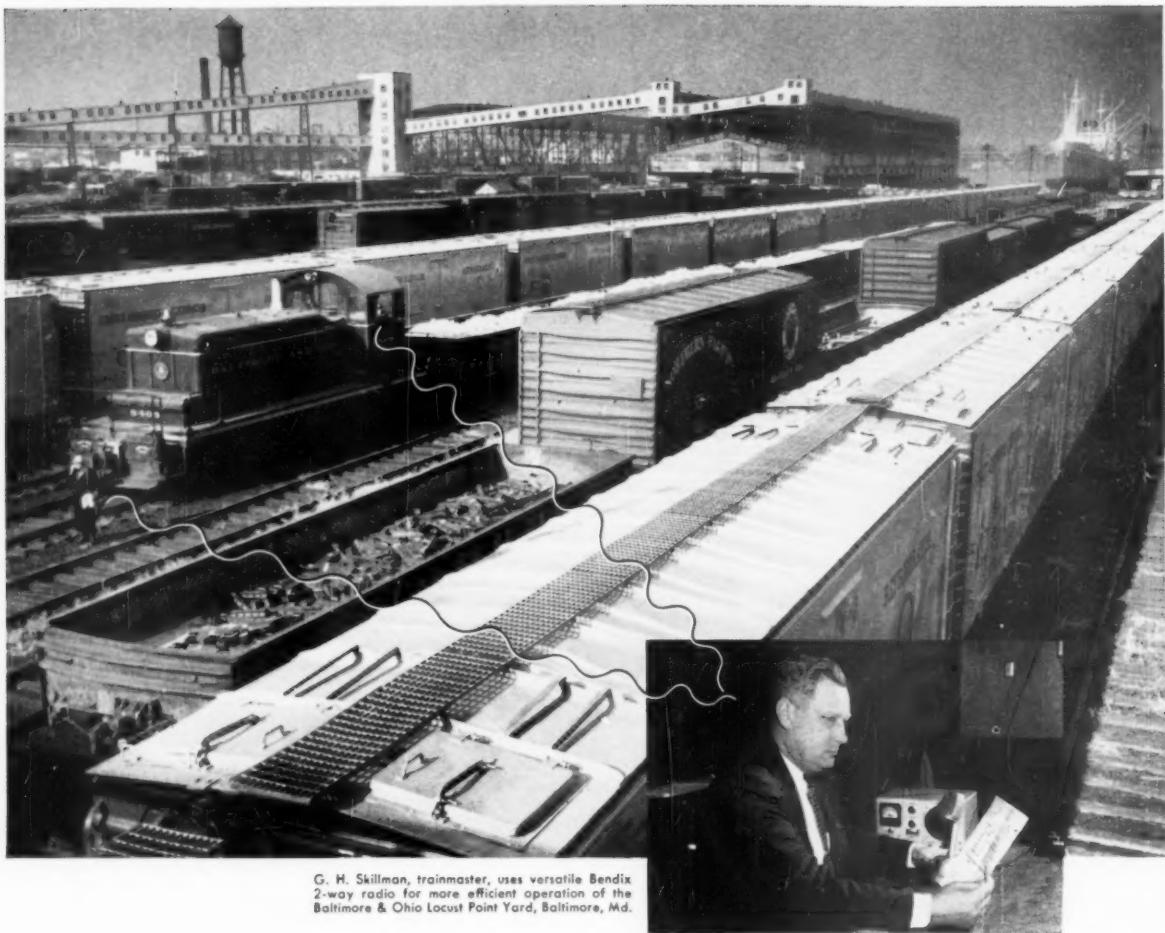
*"Precision" is the watchword at Minneapolis-Honeywell's rapidly-growing inertial guidance engineering center at St. Petersburg.*

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## What Mutual Fund Managers Say About 1959

*"Earnings and dividends are turning up."*

*"Chemicals, electronics, and office equipment stocks—these should be the leaders in 1959."*

*"The Dow-Jones industrials average could go down to 440."*

*"Our fund will become net sellers of stocks if the market rise continues further."*

*"I think the stock market will hit 750 next year."*

*"We look for a business decline in late 1959."*

*"Inflation psychology is ruling the market."*

## The Mood Is Fairly Cheerful

The forecasts above are a sample of what investment company managers now are saying in the privacy of their board rooms. There's considerable range in their predictions, but apart from the few extremists an underlying theme of cautious optimism runs through them all.

This common theme is the most significant finding in a confidential survey of mutual fund managers made by BUSINESS WEEK. Asked about the 1959 outlook, the men who head the open-end and closed-end investment trusts made clear that their recent aggressive buying equities will carry over into the beginning of 1959. This means added strength for stock prices.

• **Growing Importance**—What these fund managers say—and do—is increasingly important. Assets of the members in the National Assn. of Investment Companies now total more than \$14-billion; the flow of cash into stocks from this big source has been one of the major forces behind this year's bull market.

The funds are also important because they have wooed the small investor back to Wall Street, luring him with professional management and diversified portfolios. Their record this year has been good; not many have missed the rise in the market. And although sales of new mutual shares are sagging lately (as they do traditionally when the market is on a spree, with investors looking for a quick buck, not long-term appreciation), the public is still showing its faith in the industry.

• **Sell-Off Unlikely**—Fund managers, with surprisingly few exceptions, say that stocks are in no danger of a drastic sell-off. The majority says that despite the present high level of stock prices,

the prospect is for a continued climb or a topping out close to present levels. The minority that does expect a break feels that prices will fall only 15%, at the most.

At the same time, the managers evince no great faith in the continuing breadth and vigor of the business recovery, expecting industrial output to start to stabilize soon. Most of them look for the FRB production index to average roughly 143.7 over the next year; last month, it hit 141.

A stable economic outlook is not inconsistent with a rising market, according to the fund managers. They say that stabilization will be a good thing for stock prices.

Meanwhile, most will continue to put their new cash into commons—unless specialized investment objectives dictate a different tack. This year, the overwhelming majority have been net buyers of stocks, and there's no sign of any significant change. Only a handful said the 1959 business outlook was so poor that they were thinking of switching to a more defensive position.

### I. Elements of Strength

In defending their optimism, fund managers claim that many of the elements that bolstered stock prices this year will also make for a strong market in 1959.

The strongest force, they say, is the fear of inflation right or wrong. The fund managers were disappointed when consumer prices failed to fall during the recession, seeing it as a sign that prices would soar during a strong business recovery. "From here," explained one manager, "I can't dispute the public's re-awakened interest in common stocks

as an inflation hedge, and I see no reason why people shouldn't be caught up in the same inflation psychology next year."

Other factors listed by the fund managers for this year's market rise were:

- Confidence that the recession would be short-lived—a confidence supported by the strength of disposable personal income.
- The Federal Reserve's lowering of interest rates during the recession, which increased the money supply, added to the amount of funds available for investment.
- The scarcity of good grade investment stocks.
- Increased defense spending, and the prospects of a budget deficit next year.

Feeling that many of these same bullish factors should be present again in 1959, the fund managers see no reason to fear a drop in stock prices. What's more, they look for "liberal" Democratic legislation in public welfare and other areas, which may induce a further rise.

• **Averages**—As the majority sees it, the Dow-Jones industrials average, now in the 560s, should range between 500 and 610 in 1959. Only about 3% of the managers in the survey expected the Dow-Jones average to topple below 475 next year, against some 30% who thought it would climb well above 600. The most optimistic appraisal came from the Midwest fund manager, who felt that the average would hit 850.

Some trust managers—with an extreme antipathy to getting out on a limb, raised some ticklish questions about 1959. Until these were satisfactorily answered, they claimed, the outlook would be clouded.

• **Inflation**—The biggest query was



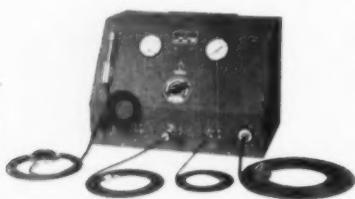
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" . . . investment companies look for business activity to rise only slightly . . . "

STORY starts on p. 67

what effect a mild recovery would have on inflation psychology. A number of the money managers scoffed at what one called "a rather badly documented inflation psychology." They felt that the public's unawareness of the "hard facts" made it particularly vulnerable to any slowdown in business. Said one fund manager, "Inflation may be a long-term threat, but it's doubtful if it will rear its head in the next 12 months."

Some investment men feel that the public may cool off if there is no inflation next year. They point out that stock prices have already discounted a rosy future, and they felt that a "colossal upsurge" in capital spending would be needed to keep small investors in the market. Most thought such an upsurge unlikely.

Indeed, most investment companies look for business activity to rise only slightly. In fact, not one manager felt that the FRB index would average above 150 next year.

Some dissenting money managers felt that any "business stabilization" would have a slowing effect on earnings and dividends. "Sooner or later," commented one manager, "the public is going to start looking carefully at both these items. When they don't find happy reports, I'm afraid of what will happen."

The pessimists also worry about labor, particularly the possibility of a steel strike. Others mentioned tight money rates, stringent tax policies, and low yields as factors that would put a damper on the stock market.

A good number hesitated to make fast and hard predictions "because the public attitude toward the new car models hasn't jelled enough," although sales lately have been lively.

## II. Who Likes What

The mixed character of the managers' thinking is reflected best in the varied opinions as to which stock groups will be leaders, which laggards, in next year's market.

Generally, the funds favor the basic industries—steel, oil, and chemical. Some also stated preference for growth stocks—such as office equipment, and cyclical stocks—such as the rails and railway equipment.

Most funds normally play it safe by sticking mainly with whatever blue-chip issues stand to benefit most from prevailing conditions. Thus, last year, they stuck with the recession-proof defensive issues. This year, they're

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turning more to the issues which would stand to gain from an improving economy. But there's considerable variance in their choice.

Airlines, insurance, and textile stocks get a good deal of backing for next year. Stray votes are cast for a score of other groups, including distillers, movies, building materials, radio & TV, uranium, natural gas, and utilities. Generally, the funds are skeptical of auto stocks.

• **Weaker Groups**—The list of stocks that the funds expect to perform worse than the market as a whole is just as diverse. Tagged most often as laggards are the defensive groups, such as the food chains and tobaccos.

Also tabbed as weak performers are some of the heavy equipment stocks, such as electrical, farm, and industrial machinery. Non-ferrous metals aren't expected to do better than the averages, particularly since there are no sure signs that prices of these metals will show a sharp rise.

### III. Reluctant Prophets

The answers were vague when the funds were asked just what they would do next year. Many funds don't like to tip their hands, some dislike making public pronouncements that can be thrown up to them later. Others are simply reluctant to make any plans at a time when the drying up of new-share sales might force them to curtail their buying.

Just the same, some subtle clues to 1959 plans thread through the survey. Overall, it seems clear that the investment companies are just a bit uneasy about the recent market spree—and not just because it tends to cut off sales of new shares.

You glimpse the uneasiness in the answers of managers of the balanced funds, who seek stability by mixing stocks with bonds in their portfolios. Most of these managers have been net buyers of stocks, but only by slim margins. The margins are increasing, but the managers say they are not rushing headlong into equities.

Unease is also glimpsed in the answers given by a few closed-end trusts. One, a net seller of stocks this year, says, "We do not contemplate any substantial changes in broad policy. We may however, make changes in individual stocks and stock groups." Another closed-end fund says it will concentrate on "under-valued issues."

One big fund feels that any sharp rise in the market from here on is a danger signal. It thinks the Dow-Jones industrials average will soar to 650, but says about its 1959 investment policy: "We'll probably become net sellers of stocks if the market rise continues much further." **END**

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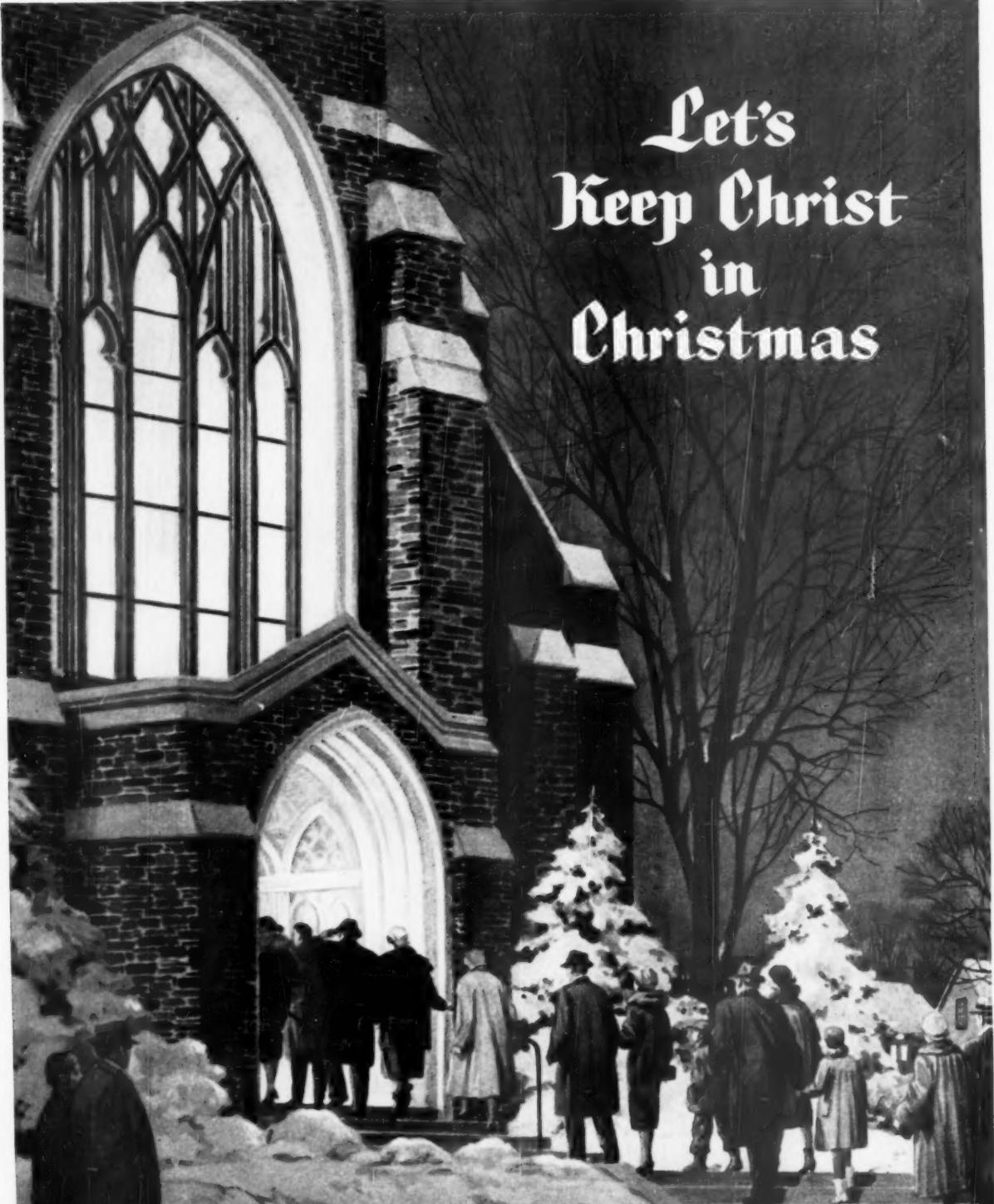
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# In the Markets

## Industrials Average Hits New Peak

### After News of AT&T Stock Split

Sparked by AT&T's big rise Wednesday (page 25), the stock market soared this week. On Wednesday, the Dow-Jones industrials average—in which AT&T plays a fat role—closed at 569.38, up two points from its previous record peak, hit last Nov. 17.

But many observers felt that the market's sharp thrust would be short-lived—at least for the moment. They pointed out that only a slim margin separated the number of advancing issues from the number of issues that were declining. And they worried that many of the blue chips—like du Pont, General Motors, and Freeport Sulphur—were losing the gains they had registered in November.

## Group of New York Trust Holders

### Threatens to Wage Proxy Fight

A proxy fight involving a New York City bank—New York Trust Co., 26th largest in the country—broke into the open this week but seemed destined to get nowhere. A group of institutional investors, claiming to represent 25% of the 1.2-million shares outstanding, are demanding election of a five-man slate.

Adrian M. Massie, New York Trust's chairman, said that the dissidents want representation only to force the bank "to merge into a larger institution."

The insurgents are likely to run into heavy resistance from other institutional investors, mostly insurance companies, which reportedly hold close to a majority of the stock. A senior officer at one of these companies said this week that they "intend to support the present management in this controversy."

## Consent Decree Terminates Squabble

### Over Offering of Arvida's New Issue

The underwriting industry breathed easier this week. The reason: The dispute between the Securities & Exchange Commission and Arvida Corp. (BW—Sep. 27 '58, p146) was settled out of court. Just before that, Arvida's \$27.5-million offering came to the market and sold out within the day.

Carl M. Loeb, Rhoades & Co. and Dominick & Dominick, underwriters of the issue, had been accused by the SEC of making what amounted to an offer to sell Arvida stock before a registration statement was on file. They consented to a court order condemning their holding of a press conference to announce the issue.

SEC interpreted the consent as a victory for its policy of barring almost all discussion of a forthcoming issue (BW—Dec. 13 '58, p28). But the commission emphasized its opinion that the underwriters had acted in good faith and had not intended to violate the law.

## Stock Purchase Gives Investment Group

### Controlling Interest in Railroad

A "commanding stock interest" in Chicago, Milwaukee, St. Paul & Pacific RR has been acquired by an investment group led by Cyrus J. Lawrence & Sons, a small New York stock brokerage house. Reports are that the group has bought close to 300,000 shares of the 2.1-million outstanding, at prices between \$15 and \$22 a share. This week, the stock was selling at \$24.

One spokesman for the group revealed that it is not out to upset existing management. He explained that "we think the road serves a fine area and that it offers a sound investment." Chicago, Milwaukee operates mainly in agricultural territory, counts on freight for most of its revenues. Its earnings so far this year are higher than in 1957.

## H. K. Porter Co. Gets One Foot

### On Big Board As Preferred Is Traded

H. K. Porter Co. Inc. of Pittsburgh, widely diversified manufacturer of industrial products, moved one step closer this week to its goal of a listing on the New York Stock Exchange for its common stock. As a byproduct of its merger with Thermoid Co. (BW—Nov. 8 '58, p113), Porter's 51% preferred stock was admitted to trading.

T. M. Evans, chairman of the company, owns 77% of Porter's common shares. This disqualifies the stock under the NYSE's requirements for numerical and geographical distribution of shareholders. But Evans wants the common listed, and some observers feel that the merger is likely to induce him to offer some of his shares to the public soon.

## Warner-Lambert, R. J. Reynolds Call Off

### Merger Plans—to the Market's Delight

The proposed merger of Warner-Lambert Pharmaceutical Co. and R. J. Reynolds Tobacco Co. (BW—Oct. 4 '58, p38) seemed to be neatly buttoned up only a week ago. Now it has been called off.

When the news was announced, Wall Street heaved a sigh of relief. The typical reaction was that if the merger had gone through, the W-L stockholders would have taken a beating. In particular, tobacco stocks normally have a much lower price-earnings ratio than the drugs; W-L stock has been depressed recently for this reason.

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# More Push Overseas For Singer Sewing

**Foreign market grows faster than home sales for world leader now challenged by Necchi, Pfaff, even Red Chinese brands.**

Singer Mfg. Co. never quite believed that competition could hurt.

Giant of the sewing-machine industry worldwide, it pooh-poohed Italy's Necchi and West Germany's Pfaff when they began peddling fancy zigzag machines after the war.

Then the Japanese began flooding world markets with low-priced machines, and Singer began to take notice. As one counter-measure, it started importing zigzag machines for the U.S. market from its European plants.

Still, like Henry Ford with his black Model T's, Singer continued to rest chiefly on its old reliables—heavy, black (with gold lettering), straight-stitch models dating from prewar days. And company management, conservative by tradition and still thinking of past successes, hardly budged from its old ways of operating.

- **New Leaf**—Today, faced with a bitter competitive battle that is likely to go on far into the future, Singer is beginning to fight back, in marketing strategy and management organization:

- In place of the "Old Guard" at the top, it has installed 43-year-old Donald P. Kircher as president (picture, page 74), and appointed younger men to other key positions.

- While continuing to rely on its 1,700 sales-and-sewing centers in the U.S.—double the number it had 10 years ago—for steady sales, it is pushing toward a wider market through some 70 department stores and dime stores. It also has boosted advertising outlays to \$3-million yearly and reorganized its nationwide \$125,000 "Sew-Off" contests.

- Though it still plugs Singer quality, it is stepping down from its high-priced machines (over \$300) and preparing to sell \$59 to \$69 models, possibly to be imported from Japan. That's to meet the flood of Japanese imports sold through such mass-volume outlets as Sears Roebuck and Montgomery Ward.

- **Sales Sag**—Even so, sales last year fell off for the first time since the war—from \$364-million in 1956 to \$359-million.

It looks as if Singer is barely holding its own in sales this year.

Already, its share of U.S. home machine sales—running to 1.6-million annually—has dropped from two-thirds prewar to around one-third (though it continues to dominate the U.S. industrial sewing-machine market).

- **Following the Flag**—From its earliest days 108 years ago, Singer has pioneered foreign sales. All over the world, its name became a symbol of Yankee manufacturers.

The company followed Commodore Perry into Japan; by the 1930s, it had sold 1.5-million machines to Japanese. Until the 1917 revolution, it owned a \$15-million plant in Russia. Throughout Asia, even into the interior of China, salesmen traveled by camel, elephant, and yak-drawn carts to find buyers for the \$100 Singer "Turtle-back."

In buying Singers, millions of foreigners got their first real taste of American capitalism—a mass-produced product, installment buying, the trade-in system.

Helping the company make its way was the fact that the name "Singer" happens to be pronounceable in practically every major language in the world.

## I. Foreign Markets

There still are vast untapped markets in underdeveloped countries, Singer officials believe. And as the domestic market is more thoroughly sold, these foreign markets become more important. Foreign sales now provide 60% of total income, compared with 50% only five years ago.

Thus, it's easy to see why Singer would stress foreign plants in its \$100-million expansion program. Most U.S. families have sewing machines, either ready for use or in the attic (though 45% are the foot-pedal type). But in Brazil's interior, for example, sewing machines are a rarity—and No. 1 on the list of most-desired wedding gifts.

- **Local Production**—Until recently, Singer's Canadian plant at St. Johns exported as much as 80% of production to Latin America. Its huge plant (13,000 employees) at Clydebank, Scotland, turned out machines for the Commonwealth, as well as for the U.S. market. Its West European plants supplied local markets.

Singer's new approach is to produce



**NORTH AFRICA** has been seeing Singer sewing machines for nearly 80 years. This veiled Berber woman in Rabat, Morocco, demonstrates that her machine is portable.

locally when desirable, as in Latin America, and to aim at regional markets whenever possible, as in the six-nation Common Market in Western Europe.

Its new Brazilian plant is playing to the growing population in Rio, São Paulo, and other cities—and to the interior as well. The plant is Singer's way of getting inside Brazil's stiff import barriers. The same is true for Mexico. Just as the Brazilian plant is also beginning exports to Chile and trying to crash Argentina's import restrictions, so the Mexican plant just opened will later export to Central American countries.

In the Far East, a new Australian plant has just gone into production. Japan's Pine Sewing Machine Mfg. Co., Ltd., in which Singer has a 50% interest, is selling both to the local and Southeast Asian markets.

In Western Europe, Singer is assigning its plants in Germany, France, and



**YOUTH** has been promoted at Singer, including 43-year-old Pres. Donald P. Kircher.

Italy to specialize in certain models for broad sales to the whole Common Market. It's also getting tighter, more direct control of plants there. For instance, it has quietly been buying shares of its West German licensee, Nachmaschinenfabrik Karlsruhe, and this week is adding Singer to the company's official name.

• **Bitter Race**—Just as it does in the U.S., Singer faces rough competition in foreign markets. Even the Communist bloc, reportedly producing 3.5-million machines yearly, is beginning to export to such countries as Britain. Red Chinese machines, selling at cut-rate prices, are a real headache in Southeast Asian markets. The Japanese are all over the map, and they don't let obstacles stop them.

When Britain refused to license Japanese imported machines, Japanese companies sent parts and castings to Ireland for assembly, then shipped completed models to Britain as "Irish" products.

That's not all the tricks dreamed up by foreign competitors. In Brazil, for example, many competitors' machines copy Singers, and the parts are interchangeable. Singer has invested in a network of service stores, but the competitors merely tell customers to get replacement parts through Singer.

## II. Foreign Problems

In a quick rundown of countries, you can see Singer's problems:

**In Canada.** Singer had a near-monopoly of the market before the war. Now, despite a strong network of 176 stores,

it has less than half the market—this year about 80,000 sales out of 180,000. Japanese machines, capturing one-third of the market, sell under such American-sounding brand names as Cadillac and Fleetwood. To make better use of its timber holdings (for supplying wood for machine cabinets), Singer has put \$16-million into a pulp mill.

**In Mexico,** Singer claims a 60% slice of the pie, though competitors say it's smaller than that. One fast-growing rival is Japan's Toyoda, which recently opened a plant that mainly produces cheap copies of Singers. Still, Singer appears to be going strong, with 65 stores, a 52-week sewing course, and careful market studies. These studies show that 82% of Mexican customers have a total family income of under \$160 monthly.

**In Brazil,** Singer is losing ground. It has a network of 150 stores, including a floating "sewing center" for trade up the Amazon. But it has cornered only one-sixth of the present 300,000-machine market, which is expected to reach 500,000 in five years. That's because it lagged behind the Japanese in getting into local production, priced its models 20% above competitors, and required stiff installment terms. While promoting its Slant-O-Matic zigzagger (introduced in the U.S. last year) as better than Necchi's or Pfaff's, Singer still isn't producing it in Brazil.

**In France,** Singer is king. Protected by French tariffs, its Bonnieres-sur-Seine plant—completely rebuilt from war damage—produces 100,000 machines annually. The company's 1,500 full-time salesmen, known as "Monsieur Singer," tramp door-to-door, win more than 85% of the sewing-machine market. By French standards, the company is a fairly large advertiser, even running a lottery contest with a week's vacation at Monte Carlo as the grand prize.

**In Japan,** Singer has had a series of troubles. After the war, it "shopped around too long" for a Japanese manufacturing partner. When it finally bought into Pine Sewing, an offshoot of Mitsui (one of Japan's prewar "zaibatsu" or trading houses), the 200 suppliers and 100 assemblers in the industry formed an "Anti-Singer League." They sent a petition with 20,000 signatures to the U.S. Embassy, denouncing the tie-up.

Behind the scenes, Singer argued that the Japanese, selling 900,000 machines to the U.S. last year and even higher sales this year, should play fair and welcome a U.S. company on home ground. It pointed out that it opposed U.S. tariff increases two years ago, while White Sewing Machine Corp., the No. 2 producer here, supported them. (White has since switched to importing Japanese machines, virtually abandoning domestic production.)

But Singer still hasn't received official

"validation" for its Pine Sewing investment, thus can't remit profits. Moreover, while Singer claims Pine Sewing is No. 3 in sales, competitors say it doesn't even rank with the so-called Big Five. (Best known of these in the U.S. market is Brother Sewing Machine of Nagoya.)

Adding to Singer's troubles in the Far East is Indian production. Several Indian plants are exporting to nearby areas—and reportedly planning to ship 50,000 units to the U.S. And Singer so far has been unsuccessful in dicker-ing with Delhi to build a plant.

Meanwhile, the company is trying to expand assembly operations in Pakistan and Indonesia. It's also completing a cabinet-making plant in the Philippines.

## III. Singer's Strengths

Singer, of course, is still huge and powerful. It has 70,000 employees, a rich bank account (\$314-million in working capital alone), and a reputation that is the envy of competitors.

In Accra, capital of Ghana, Singer's sewing center rivals anything it has in Western Europe. Its salesmen take to the bush in specially rigged trucks, pitch sales to a "buy now, pay later" plan.

In Italy, Necchi's stamping ground, Singer is making 100,000 units yearly and selling neck-and-neck with Necchi—by the latter's own admission.

Proof of Singer's strength appears in its ability to finance so much expansion in the countries where it sells. Necchi Pres. Gino Gastaldi, noting Singer's new plants, says his company sells mostly through exports from Italy or by licensed production in such countries as Argentina, Yugoslavia and the U.S. (where Necchi has 8% of the market).

• **Some Worries**—But there's no doubt that Singer is worrying about its future. By failing to retool at war's end, it let foreign competitors win a place here (Singer's six-month strike in 1959 also helped). So the company is streamlining its largest plant (5,700 workers) at Elizabethport, N. J.

Remembering profitable war work, Singer is also looking for new defense contract to utilize what industry sources say is idle plant capacity. As part of this move, the company early this year bought Haller, Raymond & Brown, a Pennsylvania electronics company.

Singer probably will also use Haller, Raymond & Brown for developing new sewing machines to keep abreast of—or ahead of—the stiffening competition. Necchi, for one, tries to bring out new models each year, partly to create "obsolescence" and generally to stir bigger sales. That's a sales approach to which Singer only recently has awakened. **END**

## Get rid of disturbing noise



*Johns-Manville Sanacoustic absorbs up to 90% of room noise that strikes it.*

### Johns-Manville Acoustical Ceilings cost less installed than 10 years ago

Yes—the cost of a J-M Sanacoustic® Ceiling is lower than 10 years ago! This is practically unheard of in today's economy. Yet it is true in the case of Sanacoustic—the finest in acoustical ceilings. And you gain these advantages: Sound-absorbing mineral-wool pads within perforated metal units; A baked enamel finish

that cleans easily; Units that snap into tee bars for tight, firm joints; A ceiling that has high light reflection and is noncombustible.

For data on all J-M acoustical ceilings send for free booklet "SOUND CONTROL." Write Johns-Manville, Box 158, New York 16, New York. In Canada: Port Credit, Ontario.



**JOHNS-MANVILLE**



# In Business Abroad

## Brazil Will Add \$170-Million Mill To Its Mushrooming Steel Industry

In a major effort to boost steel production in Brazil's fast growing industrial complex around Sao Paulo, Companhia Siderurgica Paulista (Cosipa) has given an order for a \$170-million steel mill to the Heavy Construction Div. of Henry J. Kaiser Co.

Located at Piacaguera, Sao Paulo State, the project includes coal handling facilities, 25 miles of railroad, slab and plate mills, and a cold reducing mill. Planned initial capacity calls for 300,000 tons of rolled steel products annually.

Cosipa is a mixed venture of public and private funds. Participation includes the Brazilian Development Bank and other government agencies, plus private steel and financial interests in Sao Paulo and Rio de Janeiro. A group of Western European banks is also reported to be behind the project.

## International Harvester Gives a Boost To Canada's Buy British Program

When Canada's Conservative government came to power in 1957, it hatched an economic plan to switch part of Canada's mounting trade from the U.S. to Britain. One point called for diversion of 15% of the purchases made by Canadian companies from U.S. to British sources. But the Diefenbaker government hardly expected any help from U.S. companies.

Last week, in line with that policy—and to penetrate British and Commonwealth markets in a big way—International Harvester Co.'s wholly owned subsidiary, International Harvester Co. of Canada, Ltd., announced that henceforth it would build its trucks in Canada, and purchase motors for them from Rolls-Royce of Canada, Ltd., 100%-owned offshoot of Rolls-Royce of Britain.

To get ready for the switch, Canadian IHC has been expanding its production facilities to the tune of \$20-million. Moreover, the truck deal is only the beginning; the company's tractor, seeder, and combine lines are also involved.

If the effort is successful, according to IHC's Canadian officials, they expect to step up annual sales in the Commonwealth area from an estimated \$13-million by the end of this year to about \$30-million in 1962.

## Britain Worried Over 1959 Exports, Lest Customers Lose Buying Power

Although Britain's exports rose substantially in November, British economists are worrying about the trade outlook for 1959.

One bad sign is ocean freight rates, which have showed

signs of slipping again after a pickup. And with world prices for some commodities (rubber, base metals, jute, cacao, wool tops) already sliding back from earlier recovery, the economists are waxing more skeptical of the ability of the underdeveloped countries to keep on paying for British exports.

To shore up African and Asian countries dependent on prices and sales of raw materials—and to help them maintain their ability to import—the U.S., Britain, and Western European nations had made loans and direct financial assistance available to them. Now the British are beginning to wonder if that assistance was sufficient.

## Canadian Version of Ex-Im Bank Asked To Help Manufacturers Finance Exports

Canadians have long contended that they could move into bigger export markets if Canada had an export credit facility enabling them to do so. Last week, the powerful Canadian Manufacturers Assn. formally requested Ottawa to establish a Canadian institution to finance long-term export credits for Canadian goods.

The CMA brief calls for a Crown corporation—similar to the U.S. Export-Import Bank—to be set up. It would be capitalized ultimately at about \$100-million, and according to CMA, would allow Canadian manufacturers to compete with the U.S., Japan, and Western European countries on nearly equal terms.

## Australia to Introduce Its Aspirin To American Headache Sufferers

"Aspro"—Australia's rival to aspirin—may be on the U.S. market soon. Next month, Nicholas of America, Ltd., wholly owned subsidiary of Australia's huge pharmaceuticals house, Nicholas Pty., Ltd., Melbourne, and its British affiliate Aspro-Nicholas, Ltd., of London, will break into the U.S. with headquarters in Chicago.

Capitalized at \$1-million, the U.S. subsidiary initially will push a veterinary line, starting with a cobalt "bullet" designed to release vitamin B-12 in the stomach of a sheep. After that, it intends to open up with other Nicholas products, chief of which is "Aspro."

The parents, with 13 plants in Asia, Africa, Western Europe, and Australia and marketing outlets in 120 countries, boast of producing 10-million "Aspro" tablets daily.

## Business Abroad Briefs

Ruhr coal producers and West German oil companies have agreed in substance to form a "crisis cartel" to limit sales of heavy oil while the coal industry works off pit-head stocks of 14-million tons.

Tokyo Electric Power Co. has ordered a 265,000-kw. steam turbine-generator from General Electric Co. for installation at Yokosuka, outside Tokyo. It's one of the biggest export units ever ordered from the U.S.

DEWEY AND ALMY RESEARCH AT WORK:



This versatile plastic puts

**MORE MILES IN RUBBER SOLES AND TILES!**

DAREX 43G puts permanent beauty in these colorful ROBBINETTE floor tiles made by Robbins Floor Products, Tuscaloosa, Ala. . . . puts permanent comfort in the CAT'S PAW sole.

Few objects in everyday use are subjected to more wear, tear and pounding than rubber shoe soles and floor tiles. To help them withstand this daily battering, the best rubber soles and tiles today are reinforced with an amazing Dewey and Almy plastic resin . . . DAREX 43G.

This magic touch of plastic gives rubber the durability it needs to stand up under miles and miles of foot pounding . . . without affecting the resiliency that makes rubber ideal for both these applications. Hard and tough as these reinforced floor tiles are, they still spring back, erasing even dents from heavy furniture.

Durable as these shoe soles are, their permanent *flexibility* spells out a big difference in footwear comfort. Versatile DAREX 43G has been put to good use in other products, too. Cable insulation, mechanical rubber goods and gaskets are also vastly improved by this plastic resin. Wherever rubber must be *tougher* . . . without loss of resilience . . . DAREX 43G is the perfect solution.

Like so many outstanding products, DAREX 43G is the result of Dewey and Almy's full-scale creative research. Listed below are other examples. Perhaps one among them is ideally suited to your needs.



**DAREX 43G**

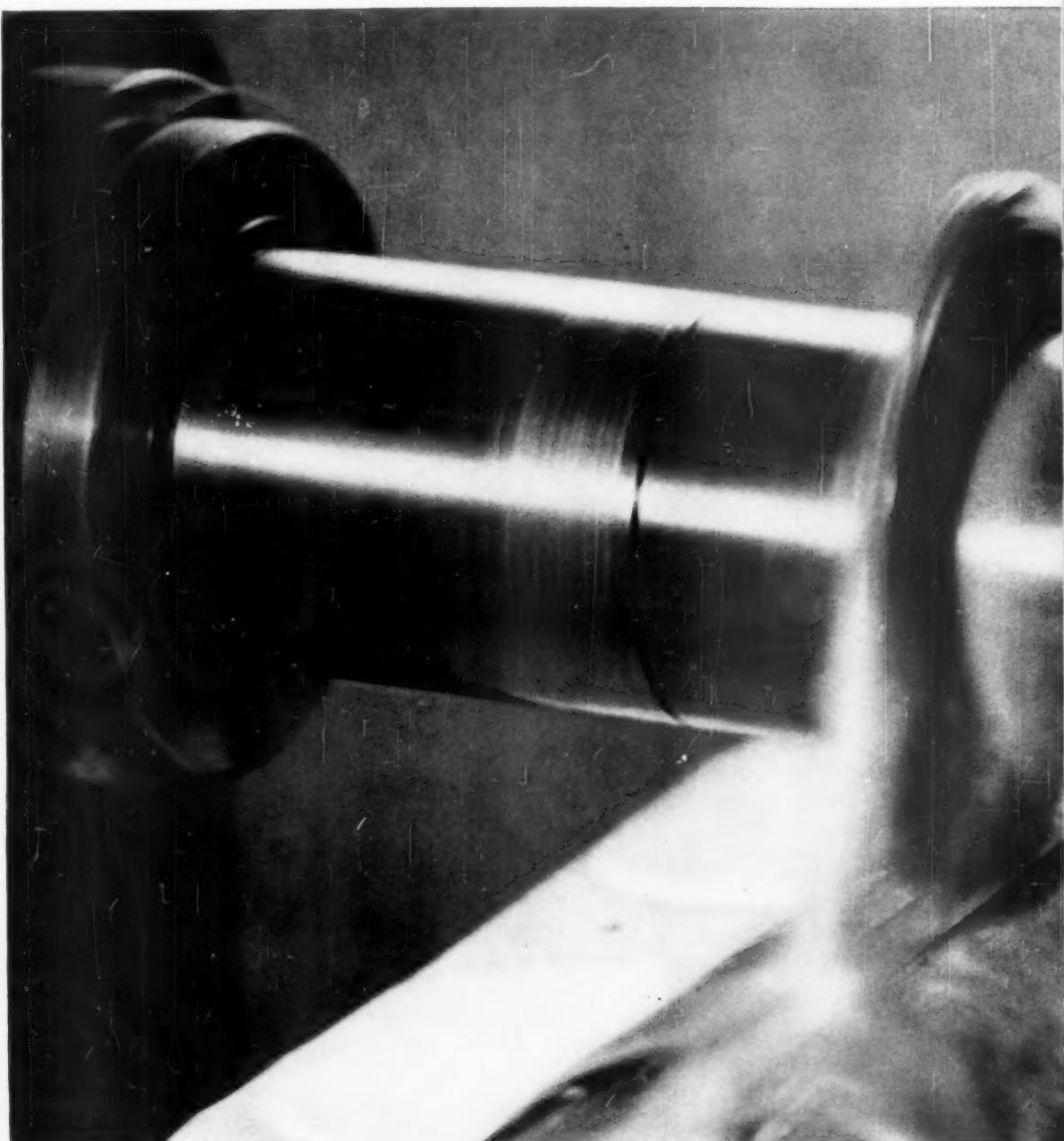
HIGH STYRENE REINFORCING RESIN

**W.R. GRACE & CO.**  
DEWEY AND ALMY CHEMICAL DIVISION



Cambridge 40, Mass. • Chicago 38, Ill.  
San Leandro, Calif. • Montreal 32, Canada

BATTERY SEPARATORS • CHEMICAL PRODUCTS FOR THE CONSTRUCTION INDUSTRY • CONTAINER SEALING COMPOUNDS • FLOWED-IN GASKETS  
METEOROLOGICAL BALLOONS • ORGANIC CHEMICALS • ROCK PRODUCTS CHEMICALS • SHOE MATERIALS • SODA LIME • TEXTILE PRINTING PRODUCTS



**Cutting oil life jumped from 3 weeks to 3 months . . . too**

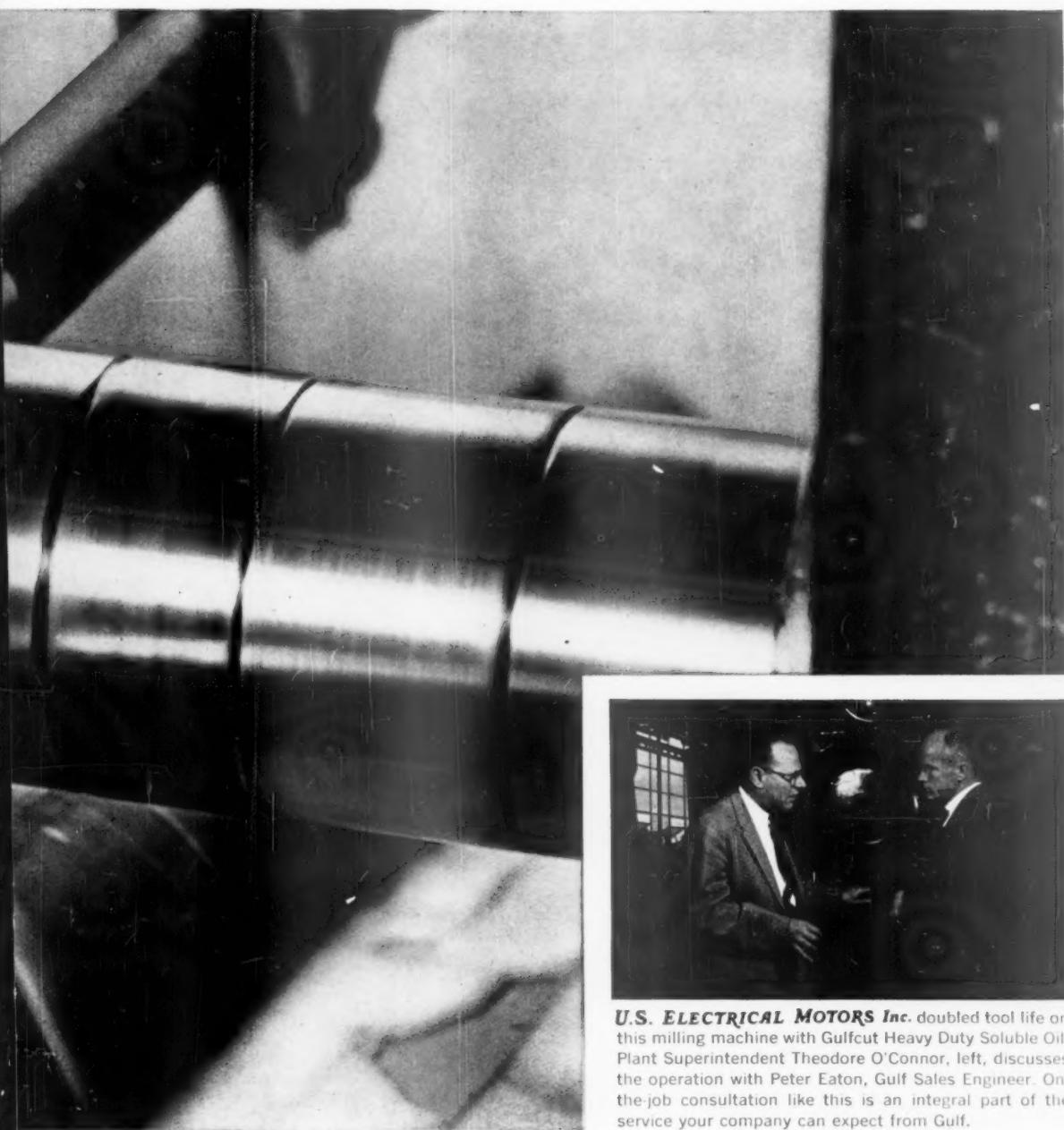
## **GULF MAKES THINGS**

At its Milford, Conn. plant, U.S. Electrical Motors turns out a complete line of motors ranging from  $\frac{1}{4}$  to 250 hp., all precision built. Plant Superintendent Theodore O'Connor tells how Gulf makes things run better here.

"Until recently, we were using a soluble oil mixed in a 20-to-1 water-oil ratio to cut keyways

in a variety of motor shafts. Then we switched to Gulfcut Heavy Duty Soluble Oil mixed 35-to-1. Service life of the cutting oil on this job jumped from 3 weeks to 3 months!"

"The new mixture provides much better cooling. It has doubled our tool life. And we now hold closer tolerances—to plus or minus .001."



**U.S. ELECTRICAL MOTORS Inc.** doubled tool life on this milling machine with Gulfcut Heavy Duty Soluble Oil. Plant Superintendent Theodore O'Connor, left, discusses the operation with Peter Eaton, Gulf Sales Engineer. On-the-job consultation like this is an integral part of the service your company can expect from Gulf.

ife doubled . . . more proof that

# RUN BETTER!

Machining efficiency is just one of many results management men can count on from Gulf. Whether you're concerned with fuel for your truck fleet or lubricants for your plant, see for yourself how Gulf makes things run better . . . in any operation involving petroleum products. Call the nearest Gulf office for prompt action.

**GULF OIL CORPORATION**

Dept. DM, Gulf Building  
Pittsburgh 30, Pa.



*"Right! It's Kodapak Sheet!"*

**10 MILLION sleeves like this  
have proved its worth!"**



Year after year, salesmen go out armed with albums, portfolios and binders paged with tough-surfaced, clear-as-crystal sleeves of Kodapak Sheet.

During the past few years, one maker, Cooks' Inc. of Blackwood, New Jersey, has turned out more than 10 million of these sheet protectors with Cooks' exclusive *Ful-Vis Pul-Pruf* Silver Strip.

For Cooks' has found that the Kodapak Sheet sleeve you see through so clearly is the sleeve that shows illustrations of merchandise at their best,

helps *sell on sight*. And this same Kodapak Sheet sleeve—brilliant, abrasion-resistant—is the dimensionally stable, always uniform sheet that helps manufacturers keep costs down—makes loyal friends of their salesmen-customers.

For further information about this and other applications of versatile Kodapak Sheet, call our representative or write:

**Cellulose Products Division  
EASTMAN KODAK COMPANY, Rochester 4, N. Y.**

**Kodapak Sheet**

Kodapak is a trademark for Eastman's Plastic Sheet

**MAKES GOOD PRODUCTS SELL BETTER**

Sales Offices: New York, Chicago, Atlanta. Sales Representatives: Cleveland, Philadelphia, Providence. Distributors: San Francisco, Los Angeles, Portland, Seattle (Wilson & Geo. Meyer & Co.); Toronto, Montreal (Paper Sales Ltd.).

# PERSONAL BUSINESS

BUSINESS WEEK

DEC. 20, 1958



If you rarely have a toothache and conclude that you have a pretty sound set of teeth, you may be overlooking an important aspect of dental health. As you get older, your dental problems increase—and decay is no longer the No. 1 enemy. After age 35, the major threat to your teeth is gum disease. These diseases are responsible for 80% of tooth loss among adults. Unless you visit your dentist regularly, you may be unaware of this.

Gum diseases often are caused by an improper tooth and jaw relationship (malocclusion). And today more attention is being paid to conditioning gums and aligning teeth to prevent this sort of trouble.

The two most common gum disorders are gingivitis (pink and tender gums) and pyorrhea (infected pockets and gum recession). If you are troubled by either, your dentist has a whole raft of techniques he can use to halt the condition or possibly eliminate it. Gingivitis is often treated with medications, and pyorrhea responds to antibiotics and, when indicated, minor surgery.

If gum disorders go undetected and untreated, bone erosion is likely to result. This, combined with malocclusion, loosens teeth. Once that happens, you cannot bite properly and your teeth will not get the stimulation they need to keep them healthy and firmly rooted.

**Malocclusion by itself is serious.** Sometimes, persons with improperly aligned teeth think of them almost exclusively in terms of personal appearance. Some don't bother to have corrective work done, because they think it unimportant. This is a mistake—teeth that meet and mesh unevenly, rock and jar each other, and eventually may loosen.

If you neglected to have such work done earlier—or if childhood treatment was not entirely successful—it's a good idea to check with your dentist to see what can be done now. **You may still associate braces with children, but the fact is that more than 15% of orthodontic patients are adults.** It's possible to reposition their teeth because tissue regeneration continues throughout one's lifetime.

Orthodontic treatment may take from three months to three years, but new materials, new approaches to correction and newly designed braces now make teeth aligning a shorter and, sometimes, less bothersome, task. In some cases, for example, you might have removable braces (or splints) that need be worn only at night. But if you had to wear them all the time, you can get them in acrylic or plastic to match your teeth.

A bit of advice: **If you're thinking about corrective dental measures, don't get a fixed picture on the procedure or time required.** Treatment can be very simple or may involve surgery. This accounts for the wide range of fees from a few hundred dollars to several thousand. Some dentists use accelerated techniques enabling them to give complete mouth rehabilitation in a relatively short time (10 days). This, however, is an expensive proposition; fees can easily run in the thousands of dollars.

If you haven't been in a dentist's chair recently, on your next visit you'll discover that **dental care now is easier and considerably less painful.** Your dentist may administer tranquilizers to calm you, and your gums can be chemically desensitized so you don't feel the needle's prick as a local anesthetic is injected. **New high speed drills**, some revolving at speeds of 200,000 rpm., work with a feather-light touch. Also, **X-ray equipment is safer** than it used to be for three reasons: faster film, better shielded equipment, and less total exposure.

# PERSONAL BUSINESS (Continued)

BUSINESS WEEK  
DEC. 20, 1958

A lot of new developments also make it possible to "glamorize" your teeth or make your dentures look more natural. You can now get bridgework to match your teeth. Or you can have a porcelain filling placed in an artificial tooth so that it looks like your own tooth has been filled. Porcelain jacket crowns can be made to match adjacent teeth. Dentures also can be made to blend with tint and texture of your own gums.

Another new development you may welcome: Temporary caps to be worn until permanent ones (\$60 to \$150) are ready.

On National Airlines' new jet flights (Pan American's Boeing 707) from New York International Airport to Miami International Airport, you have a choice of economy-class seats, commanding first-class fares, or luxury seats at an extra charge of \$20. The round-trip fares: first class, \$177.76; luxury, \$199.76.

If you're partial to the Fort Lauderdale and Palm Beach areas, you now will be able to avoid the long trip after landing at Miami. CAB has authorized Northeast, Eastern, and National airlines to use Broward International Airport at Fort Lauderdale. Northeast has started direct air service between New York and Broward, and on Jan. 20 will increase its new service with an additional daily flight via Washington. Eastern and National have not announced starting dates for their Fort Lauderdale stops.

A box of fine cigars can be a worthy last-minute Christmas item—as a gift, or simply to have on hand for holiday guests. The trouble is, unless you're an aficionado, you may have a selection problem.

For the finest, you'll want "clear Havana"—cigars made entirely of Cuban leaf. And though excellent cigars are made in the U. S., the truly luxurious smoke is a Havana-made import. You can't tell quality by size, shape, or color—and it's not true that a green wrapper is a hallmark of top quality. Fine Havanas come in both green (candela) and dark (obscuro) wrappers.

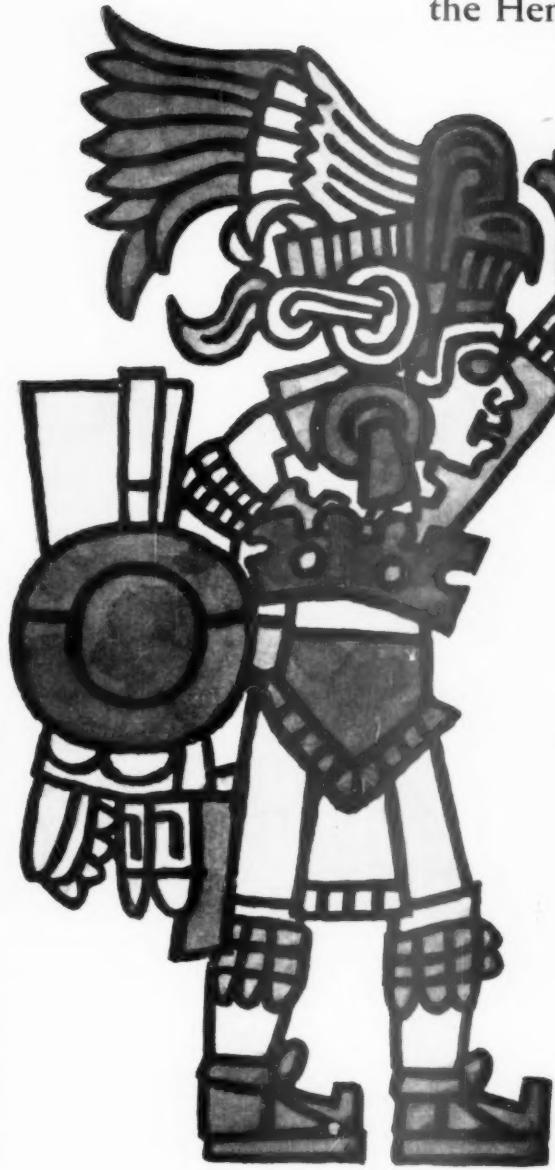
Sizes vary from panetella (small blunt), which usually cost 25¢ each, up to the large "double" corona at 75¢ or 80¢ each. And in the finer brands, there's a special "Churchill" size at \$1 to \$1.25. Amististas, Cabanas, Hose Piedra, Monte Cristo (Winston Churchill's cigar), Partagas, Por Larranaga, Ramon Allones, Romeo y Julieta, Uppman—these are some of the Havanas that cigar smokers prize highly.

Out of Detroit come three winter car care tips that may save you costly repairs later on: Keep in mind that air conditioners should be turned on periodically to lubricate compressor seals; a convertible's top mechanism should be operated monthly, but not in freezing temperatures; air springs require anti-freeze protection of the suspension system.

For whom the snow falls: "Snow-Boy," a 2½-hp. hand-propelled snow removal machine with an adjustable discharge turret, clears a 15-in. swath through any type of snow (Lawn-Boy, Lamar, Mo.; \$149.95 plus freight).

Contents copyrighted under the general copyright on the Dec. 20, 1958, issue—Business Week, 330 W. 42nd St., New York, N. Y.

A new and powerful advertising medium for  
the Hemisphere's fastest growing market\*



A  
Mexican  
edition of  
LIFE  
EN ESPAÑOL

Mexico today is a \$1,200,000,000 import market—and growing fast. Soon advertisers will have a new, direct and effective instrument to reach this spectacularly growing market—the new Mexican edition of LIFE EN ESPAÑOL. Four unique advantages:

**Editorial**—New emphasis on material of special interest to readers in Mexico, presented as only LIFE EN ESPAÑOL can.

**Readership**—Large, influential circulation and the highest per-copy readership of any publication in Mexico offer advertisers substantial coverage of Mexico's economically active population.

**Advertising Presentation**—The finest printing and color reproduction—on LIFE-size pages.

**Merchandising**—The complete follow-through of Latin America's most merchandisable medium—all of the know-how of the U.S. LIFE adapted to the special needs of the Mexican market.

**PUBLICATION DATE—May 18, 1959**

**CIRCULATION RATE BASE—100,000 Net Paid**

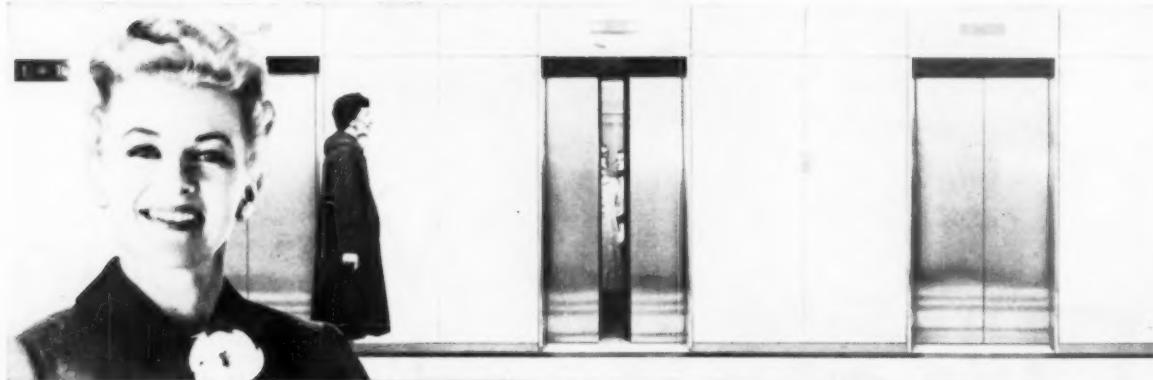
For full details write or call: Advertising Director,  
LIFE EN ESPAÑOL, 9 Rockefeller Plaza, New York  
20, New York (JUdson 6-1212).

\*Between 1950 and 1957, Mexico's Gross National Product doubled.

EDICIÓN MEXICANA  
**LIFE**  
EN ESPAÑOL

# "SEEING EYES" CONTROL WESTINGHOUSE

## YOU DON'T HAVE TO "WATCH THE DOORS!"



**1** "Wonderful comments about Westinghouse operatorless elevators with Traffic Sentinel doors keep coming in from all parts of the country," reports Betty Furness. "There's magic

built into these doors that 'see' electronically. Just follow this demonstration on door courtesy and see what we mean. Here, elevator arrives at floor with a smooth, level landing.



**2** "Passengers leave elevator. Doors remain fully open and completely motionless. There is no door action whatever . . . no door feints . . . no threatening 'coming at you' door

movement. Traffic Sentinel electronically sees and senses passenger traffic and controls the doors.



**3** "While passengers continue to leave the comparatively full elevator, doors continue to remain wide open. Door movement is governed entirely by passenger traffic and not by

fixed time intervals. Traffic Sentinel recognizes and compensates for all variations in passenger movement—automatically—so that passengers are unaware of the doors.

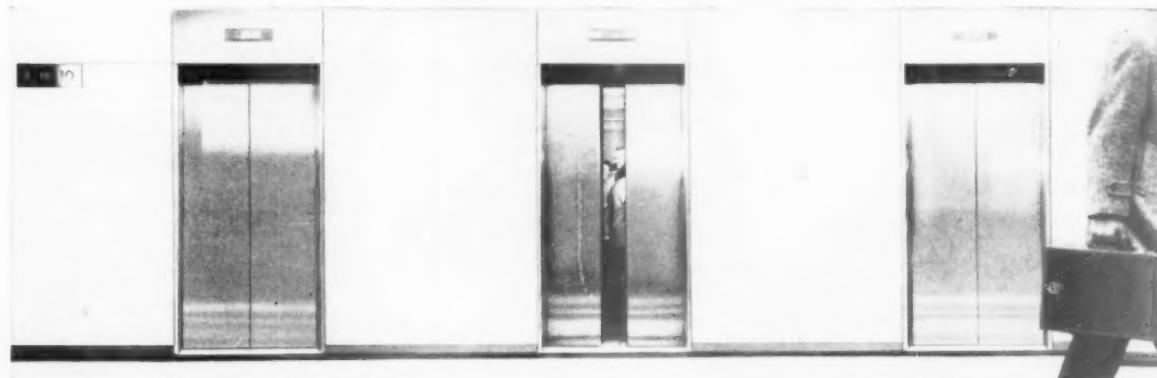
# TRAFFIC SENTINEL® DOORS

## —THEY WATCH YOU



**4** "Waiting passengers now enter with complete confidence. Our polite Traffic Sentinel doors never close prematurely—never budge an inch to scare or annoy them. This is door

control at peak perfection—Traffic Sentinel—an original Westinghouse development.



**5** "Only after the last passenger has safely boarded the elevator will the doors close. Westinghouse modern elevator systems take their proud place in new buildings across the nation

and in existing buildings anxious to modernize with the finest vertical transportation available."



### TISHMAN BUILDING, 666 Fifth Avenue, New York

To facilitate speedy movement to and from offices, 666 Fifth Avenue has a Westinghouse Selectomatic® Automatic elevator system which all but eliminates unnecessary waiting time. Twenty operatorless elevators, equipped with Traffic Sentinel controlled doors, carry an estimated 6,000,000 passengers to and from the building's 38 stories in a single year. When you're in New York City, plan to visit the

Tishman Building and test ride these Westinghouse operatorless elevators. If you want to make a detailed study, we will be proud to arrange a behind-the-scene demonstration.

*Owner-Management:*  
Tishman Realty and Construction Co., Inc.  
*Architects:* Carson & Lundin

YOU CAN BE SURE...IF IT'S **Westinghouse**



WATCH WESTINGHOUSE LUCILLE BALL-

DESI ARNAZ SHOWS CBS-TV MONDAYS

WESTINGHOUSE ELEVATORS AND ELECTRIC STAIRWAYS

2087488

# "The surest link between national promotion and local business is the Yellow Pages"

says B. F. Roman, President,  
National Chemical & Manufacturing Co., Chicago, Ill.

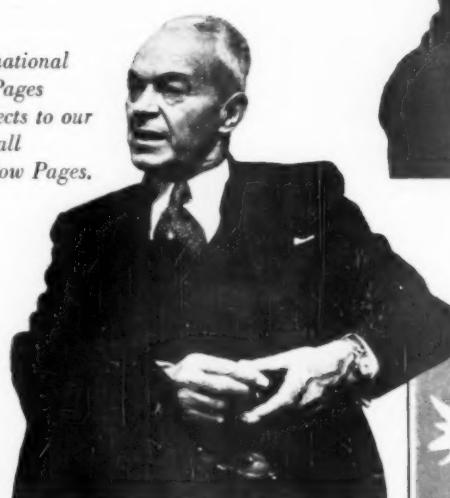
*"Our Luminall Paint promotion is  
national . . . but our business is local."*

*"So we localize all our national  
advertising with the Yellow Pages  
emblem, which directs prospects to our  
dealer listings under the Luminall  
trade-mark in the Yellow Pages."*



*"And Trade Mark Service spotlights our brand for  
label-conscious prospects . . . directs them to  
the nearest Luminall dealer. Luminall's trade-mark  
or trade-name is advertised in 400 different  
directories, with a circulation of over 30 million."*

Whether you sell consumer or industrial products or services, Trade Mark Service in the Yellow Pages is the vital link between prospects and your sales outlets. Make the medium that localizes *your* national promotion a part of your advertising program. Call the local Bell telephone business office for full information on Trade Mark Service.



YOU CAN BUY A <b>LUMINALL</b> <b>miracle paint</b> for every purpose			
1. PAINTS SATIN LUMINALL The most brilliant, most durable paint ever made.	2. EXTERIOR LUMINALL PAINT Durable, high-gloss paint for exterior surfaces.	3. SATIN LUMINALL For brick, concrete, stucco, tile, vinyl cladding—whatever.	FREE PAINTING PACK SELECT ITEMS OF INTEREST TO YOU
4. LUMINALL SATIN GLOSS Appears like paint, but looks like hand-polished finish.	5. SATIN FADE WALL CHALK Rich, smooth finish that resists fading in all directions.	6. SATIN TOUGH LUMINALL Extreme paint to use on rough, uneven surfaces. Washable. Durable.	7. SATIN REVERSE LUMINALL Hard gloss for ceilings, walls, tile, marble, etc.
8. LUMINALL DOL-A-TEX PAINT Invisible. It resists fading, peeling, cracking in sun, wind, rain.	9. LUMINALL WALL FINISH Kitchen-bath-room paint that resists all the colors.	10. LUMINALL WALL FINISH Kitchen-bath-room paint that resists all the colors.	11. SATIN-ACRYLIC WALL FINISH Kitchen-bath-room paint that resists all the colors.

## LUMINALL PAINTS

Finest in Finishes! By the  
makers of the original "miracle  
paints." Paints, var-  
nishes, enamels and stains  
for all interior and exterior  
surfaces. Millions of happy  
users know the Luminall label is the finest  
guaranteed in paints.



of happy users know Luminall Paints apply  
ok better, last longer, cost less per square  
ft. why they're called "Miracles"!

## WHERE TO BUY THEM

Better Painting Service Inc  
2612 W Greenfield av-Mitchell 5-4118

Bobke Gust Paint Co

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Bobke Gust Paint Co

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Decorators Supply Co

1635 W Center-FFranklin 4-1980

Knudsen Bros Inc 1630 N12 CConcord 4-2202

Steinkeller Bert Paint Co

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Luminall Paints Dept. C, Chicago 9, Illinois  
Please send free painting packs on items I have checked, with no  
obligation to buy.

## LUMINALL PAINTS

Finest in Finishes  
Milwaukee - Newark - Los Angeles - Dallas

Trade Mark Service and  
the Yellow Pages emblem  
work together to direct  
business to local dealers.

# In Marketing

• • •

## Sunbeam Is Putting Distributors On Agency Basis to Spur Sales

Sunbeam Corp. is trying out a new marketing technique in an effort to stabilize the market for its portable electric appliances.

In a test move on the West Coast, the company is switching its distributors from the usual wholesaler operation to an agency basis. These distributors won't buy or take title to the goods they handle, but will receive a fee for handling.

The plan has the obvious value for the distributor of not tying up his capital in stock. The agent gets additional security since he is paid on a fee basis.

Sunbeam gets what amounts to direct dealing with dealers. The prices the company sets are the prices to its retailers. This could work to the advantage of the agent, too. This gives dealers less chance to dicker with wholesalers for bigger discounts. Discounts for volume will be severely limited. Dealers who purchase six or more items at once get a 32% discount off suggested list price rather than 30%, but the really big buyer has no edge over the relatively smaller one. Finally, dealers who order more than three items a month will have contracts with Sunbeam under which dealers will undertake to put up Sunbeam displays, carry a reasonable stock, take part in promotions.

**Sunbeam was probably worse hit than most companies by the abandonment of fair trade.** Reportedly, it was overloaded with distributors. When retailers could no longer get the high margin, their interest in the line lagged. Its distributors have been unhappy, and Sunbeam has felt a lot would go out of business if profits didn't improve.

• • •

## Post Office Nixes Scheme to Get Rich By Selling Subscriptions to Magazines

A lot of people with visions of getting rich from selling magazine subscriptions had their dreams shattered by the Post Office Dept. last week. Under a chain-letter scheme worked out by M. L. Westerberg, a Wenatchee, Wash. dentist, the potential reward for selling only six three-year subscriptions could amount to \$9,330. To handle the sales campaign, Westerberg organized a company, Coinco, Inc., and interested Look magazine in running a test. But before the plan could get underway, the Post Office ruled it in violation of postal regulations.

**The scheme involves a pyramiding arrangement similar to the chain letter.** An individual buys a subscription that enables him to become a dealer and sell subscriptions to others for \$1 commission per subscription. The persons he sells to also become dealers, and he collects \$1 for each subscription they sell up to five successive levels. For example, if one person sells six subscriptions,

## MORE NEWS ABOUT MARKETING ON:

- P. 88—British toys woo U.S. small fry.

• • •

he collects \$6. If each of those six people also sells six subscriptions the original seller gets \$36, and so on, up to \$9,330.

Local response to the idea was terrific. Over 2,000 persons in Wenatchee lined up to get started as dealers. Then the Post Office ruled the idea violated rules against postal fraud and using the mails as a lottery.

Look magazine officials were saying nothing about the magazine's role, except that it had considered making some sort of test. "Due to a misunderstanding," declared a magazine spokesman, "the test got off on the wrong basis," and Look suspended it "indefinitely."

• • •

## Schlitz Augments Its Premium Beer With Competitive-Priced Brand

Jos. Schlitz Brewing Co., Milwaukee, is going into the national market with a popular-priced beer. The aim is to broaden its line and compete in this product category, especially against its chief rival, Anheuser-Busch, Inc., St. Louis, Mo. Last year, Busch took first place in total beer sales away from Schlitz, though the Milwaukee brewer still sold more beer under a single label (BW—Feb. 8'58, p48).

National brewers market popular-priced beers chiefly to meet competition from local products that generally undersell their premium beers. To do this, Schlitz is stepping up production of its "Old Milwaukee" label, now sold in only five states. The brand was first introduced back in 1934, but virtually discontinued during the war. It will be put into a few areas next spring, with national distribution soon afterward. According to a Schlitz official, "It will be sold at popular prices which will vary in different communities."

• • •

## Greyhound Corp. Is Backing Out Of Daily Car Rental Business

Greyhound Corp. is getting out of the daily drive-it-yourself rental business it started in 1956. It has not been profitable. F. W. Ackerman, president, explains,

The company will continue its long term car and truck-leasing operation, which makes up the bulk of its rent-lease business. The money it realizes through disposal of the daily rental operation may be turned over to the leasing side. It is moving to liquidate fast, to take advantage of the good used-car market.

Short-term car renting is tricky (BW—Apr. 26'58, p58). It is hard to size up the market at a given location. And while Greyhound has a lot of leases for U-Drive-It offices at airports, hotels, and the like, its rental stations at bus terminals were probably poor bets, trade observers feel—because businessmen who rent cars are unlikely to travel by bus.

# British



SCALEXTRIC will be a hot item on Lines' offerings for Christmas in 1959. Here Graeme Lines, sales director, umpires a model car race on tracks similar to railway system.



NEW DESIGNS get Lines children's reaction before toy is marketed. Sometimes this results in redesign—as in the case of the hobby horse that wouldn't stay on its feet.

For the last dozen Christmases, British toys have been reversing history. An industrial flyweight swamped by foreign imports before World War II, the British toy industry by yearend will have grabbed 90% of its home markets, achieved a top position in world markets, and have at least one foot in the American market.

Now British toymakers are bent on getting both feet into the U.S. They hope to do so by (1) improved marketing ("We're just learning the pitfalls," says one); (2) high-quality toys using skilled British labor; and (3) the snob value Americans tend to attach to British goods.

Leading the British toy parade to the U.S. is Lines Bros., Ltd., with a U.S. subsidiary, a 10,000-sq. ft. warehouse in New York which it plans to expand, plus the prospect of manufacturing here "if the opportunity arises." The operation is headed by W. Graeme Lines (cover), 34-year-old sales director of the family company and sparkplug in the postwar expansion overseas.

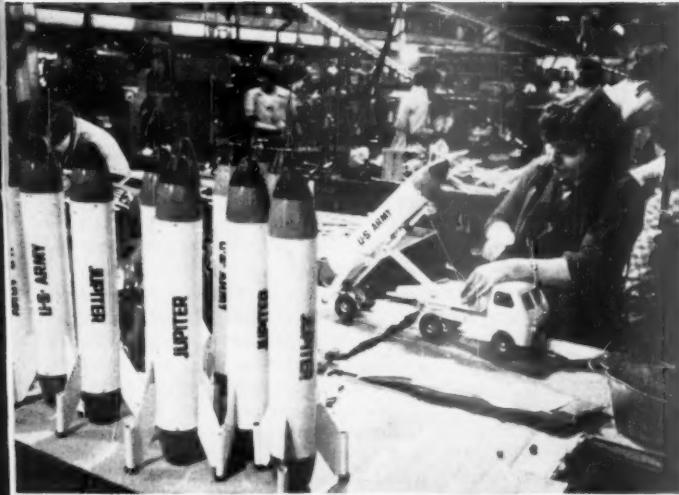
• **Dissatisfied**—Actually, the British are not at all satisfied with the job the toymakers have done thus far in developing U.S. trade. True, there is fierce competition from both Japan and Germany, not to mention domestic producers in the U.S. But the toymakers themselves realize there is vast room for improvement in tapping the succulent \$1.7-billion American market.

This is particularly true in view of the outstanding job the British have done in their own market and in other countries. Prior to World War II, the Germans had 75% of the British toy market, but the British jumped into the vacuum after the war, and Germany was shut out. Overseas, the toymakers set up subsidiaries, entrenched themselves in Commonwealth countries with no industry of their own. Since 1958, production has soared at home from \$12-million to an expected \$107-million this year. In that same period, exports climbed from \$1.3-million to \$22-million.

• **Success Story**—This performance has made the industry a darling of the Board of Trade, which has ruefully watched the decline of such traditional industries as shipbuilding and textiles. "British toy manufacturers have written one of the outstanding success stories of the postwar era," says Sir David Eccles, Board of Trade president. "That this is now one of our major export industries is irrefutable," he said.

But compared with Japan and Germany, the British are still pikers, especially when it comes to the U.S. mar-

# Toymakers Woo U.S. Small Fry



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ket. Tokyo expects Japanese toy exports to amount to \$60-million this year, of which about \$35 million will go to the U. S. Germany sold about \$85-million worth of toys in 1957, of which \$34.5-million were exports. Of that, the U. S.—its largest customer—took around 20%, or almost \$7-million.

Stacked against these figures, only \$1.7-million worth of British toys are being exported to the U. S. this year. Still, that compares favorably with \$500,000 Britain sold 10 years ago and the virtually nonexistent trade before the war.

Sir David, of the Board of Trade, for all his admiration of the toymakers, pointedly reminded them recently that "people sometimes forget that there are a large number of cities in North America whose individual purchasing power greatly exceeds many quite sizable nations in Europe." Toymakers were also chided by Sydney H. Powell, chairman of the British Toy Manufacturers Assn.: "The chairman or managing director would spend a month, perhaps two, traveling around the States, then return with a few orders. . . . What we needed was long-term development, some understanding of the distribution system, and a solution to the marketing problems."

• **They're Learning**—Such criticism may start to pay off soon. Says one industry spokesman: "We've learned more about U. S. marketing in the last year than we've ever known before. We're just starting in America."

In March of this year, Britain staged its first joint toy exhibition in the U. S. There are 350 manufacturers, about 10 of which have half the business. Next March, with some British government help, the industry plans another show.

No one is more conscious than Graeme Lines of the room left for expansion in the U. S. But he is painfully aware that at present he is missing the inland cities.

• **Sparkplug**—Lines is the top salesman and world spokesman for what may be the world's largest toymaker. Lines Bros. has 20 subsidiaries making toys (about 75% of the total volume) and baby carriages. It employs some 16,000. Sales are a secret, but last year the company netted \$3.5-million. Industry circles estimate total Lines exports at \$5-million, with something over \$500,000 going to the U. S. It produces in Canada, Australia, New Zealand, and South Africa. Group output last year included 10.5-million mechanical toys, more than 1-million rocking horses, pedal cars, tricycles, and scooters, and about 100-million wheels of all sizes for toys and baby carriages.

As head of Lines Bros., Inc., Graeme Lines is responsible for 20% of the British exports to the U. S. "Next year,"

he says, "I hope we hit 33% and just keep going up."

A tall, (6 ft. 5 in.) disarming and articulate executive, he travels extensively to keep abreast of his markets. This year, he covered more than 75,000 miles, in trips to Europe and America.

• **Export Problems**—Above all, Lines is conscious of the problems an exporter faces, particularly in this country. There is the 40% average tariff. Besides that, he has to pick the right distribution system for his item, must price psychologically in terms of dollars and cents and not shillings and pence—"Who's going to buy British at \$2.11 when he can buy another toy at \$1.98?"

Smaller retailer buyers, too, tend to shy away from imports because of complex customs paperwork. Graeme Lines established the New York subsidiary in 1955 to handle customs red tape.

Lines, because of its size and the fact that it had prewar experience, sells direct to retailers. Another reason is to avoid jobbers and discount houses "to maintain a reasonable level of price and to protect our name," Lines says. "We can't afford to get kicked around in your price wars."

British toymakers such as Lines have to choose their items for Americans carefully. Dolls are out, for instance. "In the first place," says Lines, "the U. S. is the world's largest doll producer, and it is simply too hard to compete after freight and tariffs are paid. Then, if you put just one piece of lace on a doll, whoosh, your tariff skyrockets."

Trains aren't easy, either. Lines does market a table-top, half HO scale model, but doesn't try in the U. S. with more conventional gauges. Plastic model kits stand little chance after tariff and freight against mass-produced U. S. sets.

But if you pick your items you can sell. Lines says his company offers fresh ideas and superior manufacture in its wheel toys, including both pedal-type cars (an electric model couldn't stand the journey across the water) and tricycles. To get new ideas, Lines Bros. has 150 persons working in a top-secret research section.

• **2,000 Items**—The company goes back some 100 years. Altogether, its range of production includes more than 2,000 toy lines under four main trade names: Triang, Minic, Pedigree, and Frog. Graeme Lines' father, Walter, 75, and still chairman, put him in charge of sales soon after the war.

Although the U. S. market is inviting, Graeme Lines also looks toward Europe where "we've been conducting market research." He hints of some tie-up with existing manufacturers in the Common Market countries. He says: "After all, Britain has a limited market. The world must be our oyster." **END**

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## Let's Have No More Family Fights

Unless all the signs are wrong, the Eisenhower Administration is headed for trouble with the budget it will bring in next month—the same sort of trouble it made for itself in 1957.

It was just two years ago that the Administration put on an exhibition that made both professional politicians and professional economists wring their hands in despair. After much pulling and hauling, it put together a budget for the fiscal year beginning July 1, 1957. The President sent this budget to Congress with his endorsement, but instead of standing behind it, the members of his own official family immediately began to tear it to pieces.

White House chief of staff Adams promptly denounced it as dangerously high. Treasury Secy. Humphrey predicted that any such level of spending would bring a depression that "would make your hair curl." Eisenhower himself wavered between a mild defense and an open invitation to Congress to cut what it liked. The result was that Congress waded into the budget, making haphazard slashes that disrupted the Administration's program, and the country suffered a jolt to confidence that helped bring on the 1957-58 recession.

Now, the same thing is happening again. The Administration seems ready to put its foot into the same bucket with its budget for fiscal 1960.

There's an ominously familiar ring to the stories coming out of Washington about a split in the Administration over levels of spending. Apparently, Treasury Secy. Anderson and Budget Director Stans are leading a drive for economy even if it means jacking some of the Administration's key programs. Labor Secy. Mitchell and Interior Secy. Seaton—reportedly with the backing of Vice-Pres. Nixon—are fighting for what they consider a "realistic" budget that will not involve drastic curtailment of federal programs.

There's nothing wrong with this kind of dispute—so long as it takes place in private before the budget goes to Congress. The danger is that it will continue after the President makes his recommendations and that it will produce the same confusion and uncertainty that made so much trouble for the Administration in 1957.

The trouble two years ago was that the Administration failed to thrash out its problems within the family. And Pres. Eisenhower failed to demand from that family the sort of public backing that any President has a right to expect.

Everyone knows that this year's budget presents the Administration with one of the most painful problems that it has yet encountered. It is going to take some brutally hard choices to meet the demands of defense, foreign aid, and economic growth without letting the total run to astronomic heights.

But the country is entitled to ask that the Administration should face up to its problem, make those choices, and then stand back of its decision. To present a budget and then walk away from it is to duck responsibility entirely.

Pres. Eisenhower has always liked to drive his team with a gentle hand. That is fine as long as the team keeps pulling together. But as any horseman knows, there are times when you have to give the reins a good hard yank. This is one of those times.

## Count Your Blessings

As the nation prepares to take its traditional pause for the celebration of Christmas, the prevailing mood is one of cautious optimism.

This is quite a contrast with a year ago when the economic situation was creating widespread alarm. With business activity declining, many people feared that we might at last see the tailspin that we had successfully avoided in the two previous post-war recessions. Even those who believed that the recession would not deteriorate into a depression expected that any upturn would take a long time to develop.

Now, just a year later, we are well out of the woods. In the first few months of 1958, the economy dropped faster and deeper than expected. But there was no spiraling decline, and no swampy and treacherous bottom. Instead, business began a recovery that has carried most economic indicators to within touching distance of their all-time highs.

This is a remarkable performance. Even in retrospect, the economy's resistance appears a notable feat. The fact is that in addition to the government's contracyclical action and the lack of panic among businessmen and consumers, the U.S. has been blessed with a big dose of good luck.

We can't agree with those who have concluded from the successful snapback of the economy that we need no longer fear a depression. This year's performance has provided no proof of this contention—though it may give rise to a complacency that would be dangerous.

On the other hand, we don't go along with those who are shaking their heads about the recovery on the grounds that it is inflationary. True, inflation is a threat, but we think that the American people prefer the problem of keeping inflation in check to the problem of preventing a ruinous depression.

All in all, we think that the nation has earned the right to sit back and relax for one long weekend. In a world in which the cold war is still a basic fact of life, we cannot allow ourselves more than that. But we can look forward to the new year with more hope than we had a year ago.

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